CANADA'S WEEKLY NEWSMAGAZINE JULY 30, 1990 $2.25

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A DANGEROUS STANDOFF WITH THE MOHAWKS

The Banks' New Weapon: BEING NICE

Canada's Big Six Fight Back



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CANADA'S WEEKLY NEWSMAGAZINE JULY 30 1990 VOL 103 NO 31

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COVER

BANK WEAPON: BEING NICE

Once the unchallenged goliaths of Canada's financial system, the Big Six chartered banks are emerging from a decade in which they were battered by aggressive new rivals at home and losses abroad. Now, they are putting on a more human face, and investing millions of dollars in new technology, in order to hang on to their most important customers—Canadian consumers. — 24

CANADA

DANGEROUS STANDOFF

A statement from federal Indian Affairs Minister Thomas Siddon failed to defuse a tense standoff between armed Mohawk Indians and police that went into a second week near Oka, Que. Commuters burned effigies of Indians at another Mohawk Warriors' blockade of a main artery into Montreal. — 12





JUSTICE

THE FALL OF A TITAN

Last week, the final humiliation of Pete Rose and the problems of one of baseball's popular villains, George Steinbrenner, diverted the attention of fans, at least momentarily, from the game itself. And Rose's conviction for tax evasion may bar him from baseball's highest honor—the Hall of Fame. — 38

COVER PHOTO BY BRIAN WILLER/MACLEAN'S

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The Banks' Modern Look

The immense grey monolith that was once the Canadian banking industry is undergoing profound change. In the past decade, a tidal wave of new competition, together with a growing chorus of complaints from consumers, has forced bankers to stand back and look at themselves with a fresh eye. What they saw were institutions weighed down with too much bureaucracy and regulations, and with staff that was reluctant to take the initiative, both in handling customers' complaints and in responding to the marketing challenges mounted by competitors such as Canada's quickly growing trust companies. In the past few years, most bankers have moved quickly to shed that staid image, but there is little doubt that the battle is not yet over. During the same period, Canadian consumers have become more and more sophisticated about their banking needs and they continue to pressure the banks to meet those demands.

Nowhere are the changes more evident than in the executive offices of the Big Six. There, a new breed of executive banker is leading the campaign to make over the banks. Matthew Barrett, the most recent addition to the top ranks, epitomizes the new direction, while he has spent 28 years absorbing banking traditions at the Bank of Montreal, the Irish native also brings a new perspective to the chairman's office. According to Assistant Managing Editor Michael Benedict, who oversaw the preparation of this week's cover package, "Barrett will set the tone for bankers of tomorrow—open and accessible." Senior Writer Patricia Chisholm, who wrote the main cover story, and Researcher-Reporter Julie Cazzin, who checked the stories and prepared an accompanying chart, noted that the bankers they dealt with were eager to tell their side of the story. Added Chisholm: "Bankers now realize that their responsibility to depositors includes a duty to inform the public about the complex changes in their industry."



PETER BREGG/MACLEAN'S

Benedict, Cazzin, Chisholm: a new breed of bankers with a kinder, gentler image

Kevin Doyle

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LETTERS

RUNNING AGAINST THE GRAIN

To represent Canada is a privilege—and an opportunity presented to only a few. Ben Johnson was given this opportunity and abused it ("A new race for gold?" Canada, July 9). Why should one who breaks the rules and loses the country's respect get a second chance? If Johnson runs for Canada, we are sending the wrong message to Canadians and treating our young athletes unfairly.

Anne Dudman,
Toronto

Ben Johnson made a mistake. He is by no means unique in that respect. He should be given the chance to demonstrate to the youth of Canada and the world that it is never too late to face up to one's errors, put them behind and go on to do it right.

John McElwain,
Whitby, Ont.

WHO POISONED MEECH LAKE?

Peter C. Newman warns us that Pierre Trudeau, Jean Chrétien and Clyde Wells have placed "the future of this country in permanent jeopardy" ("The man who poisoned Meech Lake," Business Watch, July 16). Does he really believe that, even if Quebec secedes from Canada, what remains of the nation would be in jeopardy? Is he really innocent enough to believe that Senator Lowell Murray "miscued" his phone call to Wells? And even more frightening, does he really credit Brian Mulroney and his pawn Murray with having more integrity than the average politician? I think Newman must be exhausted from Meech and it is clouding his rationale.

Glenn Cameron,
Saint John, N.B.

I have had a love-hate relationship with Peter Newman for years (he is probably blissfully unaware of this). This week, it is love. It is high time somebody told the story of Meech Lake as it actually happened.

John D. Ground,
Toronto

Peter Newman has fallen prey to Mulroney's spin doctors. Mulroney cleverly tried to divert blame from Robert Bourassa and himself by setting up Wells as the fall guy for Meech's failure. Newman bought it. Pity.

Bruce MacMillan,
West Hill, Ont.

Peter Newman should be feeling a little ashamed of himself. In his desperate effort to malign Clyde Wells, Newman repeats a story



CHRIS SCHWARZ/MACLEAN'S

Johnson: 'lost the country's respect'

supposedly "making the rounds in St. John's these days" about the premier and ministerial vegetables. This story is getting mouldy with age. I first heard it told, more accurately, of Margaret Thatcher, who is far more notorious than Wells for her cabinets of tame poodles.

Peter Weinrick,
Ottawa

According to Peter Newman, Wells's "mode of speech is less political than that of a prosecuting lawyer." Quite true. Listening to Wells can be quite disconcerting. Not only does one understand what he is saying, he has a most nonpolitical habit of saying yes when he means yes, and no when he means no.

Jo Balet,
Mississauga, Ont.

A MISPLACED CONFRONTATION

Having been brought up in the Bensonhurst section of Brooklyn, N.Y., I was puzzled by the photo in "The racist underside" that was captioned "Black and white New Yorkers in Bensonhurst confrontation" ("Portrait of two nations," Special Report, June 25). It looked more like what we used to call downtown Brooklyn. Then, I noticed the street signs visible in the photo. Sure enough, the location was Court Street and Cadman Plaza, which is near Borough Hall, Brooklyn, and is over seven kilometres from Bensonhurst.

Norman Sabowitz,
Halifax

Letters are edited and may be condensed. Writers should supply name, address and telephone number. Mail correspondence to: Letters to the Editor, Maclean's magazine, Maclean Hunter Bldg., 777 Bay St., Toronto, Ont. M5W 1A7.

PASSAGES



MENNINGER CLINIC

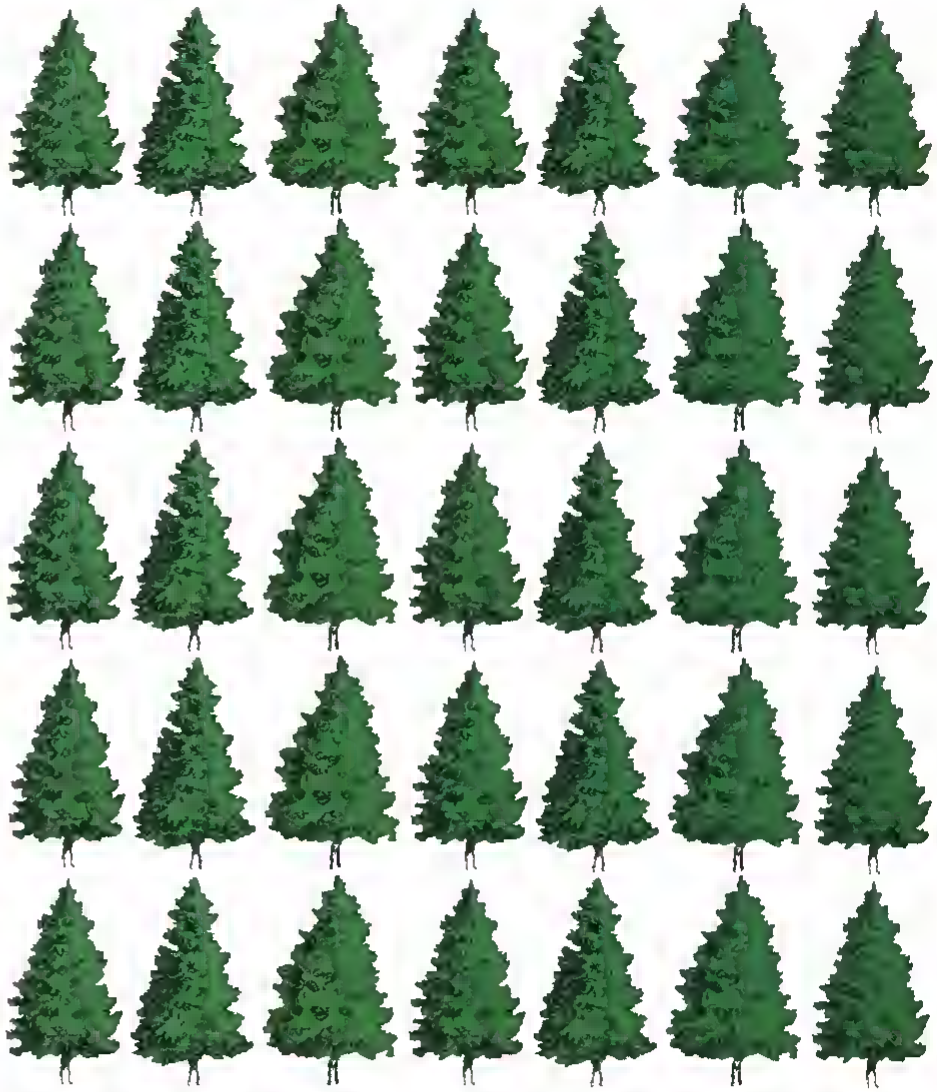
DIED: Co-founder of the Menninger Clinic in Topeka, Kan., one of the world's most famous psychiatric hospitals, **Dr. Karl Menninger, 96.** The psychiatrist was credited with changing the way that people perceive mental illness and criminals. He was a pioneer in insisting that mental illness could be successfully treated and that punishment does not rehabilitate criminals. Menninger also established The Villages children's foster-care centres in Kansas, Indiana and Michigan, where he refused to use the term "treatment." Instead, Menninger once said: "You don't talk about treating. The most important thing you can give a child is a high degree of caring."

DIED: Canadian writer **Robert Thomas Allen, 79,** in a San Bernardino, Calif., hospital, after a heart attack. The author of 14 books, Allen was the winner of two Stephen Leacock Medals for humor. And in 1952, he also received a Governor General's Award for short-story writing. Allen, who began his career in advertising, wrote regularly for major Canadian magazines, including *Maclean's* and *Saturday Night.*

DIED: Quebec rock 'n' roll hero **Gerry Boulet, 44,** after a four-year struggle with colon cancer, at his Longueuil home. Boulet was lead singer of one of Quebec's most popular rock bands, **Offenbach,** from 1971 until the band broke up in 1985. A successful solo career followed. Boulet's 1988 album, *Rendez-vous doux,* his last, sold more than 200,000 copies.

CHARGED: With complicity to murder her boyfriend, **Cheyenne Brando, 20,** the daughter of actor **Marlon Brando;** in Tahiti. On May 16, Cheyenne's half-brother, **Christian Brando, 32,** was charged with the murder of her Tahitian boyfriend, **Dag Drollet, 28,** during an argument at the Brando home in Hollywood. Cheyenne, who is now in Tahiti, gave birth to Drollet's son on June 30. She faces a maximum sentence of life imprisonment if convicted.

DIED: Former fashion editor of *English Vogue* and founder of the Royal College of Art's Fashion School in London, **Lady Ashton (Madge Garland), 92.** Born in Melbourne, Australia, she worked with such greats as author **Aldous Huxley** and photographer **Cecil Beaton.**



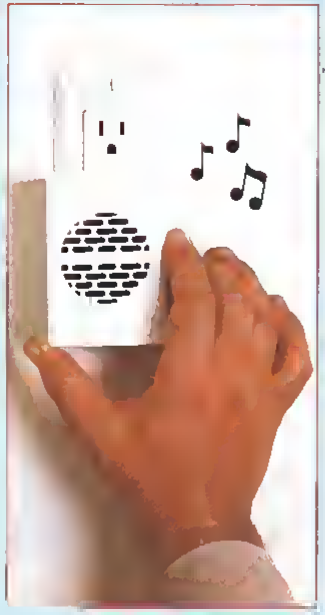
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LETTERS

IRRELEVANT COMPARISONS

Being a psychiatrist holding 12 degrees and a 27-page curriculum vitae does not give you a monopoly on truth ("Examining Canada's self-destructive psyche," Peter C. Newman, Business Watch, July 2). Vivian Rakoff's comparison of Quebec with the Armenians or the Holocaust is particularly irrelevant. A nation's pain or suffering is felt only by that nation, and hence comparison is meaningless. You cannot quantify suffering.

Louise Rousseau,
Vanier, Ont.

A SELF-ABSORBED STAR

I applaud the comments on Warren Beatty's image in the review of *Dick Tracy* ("The dashing detective," Special Report, June 18). Our culture has given far too much attention to men like Beatty—and indirectly contributes to the consequences of their self-absorption. Apparently, Dick Tracy is Warren Beatty in this film (it's supposed to be the other way around), and that is exactly why I have no plans to see it.

Beth Gleason,
Edmonton

Last week, under the cloak of darkness, I snuck out to see *Dick Tracy*. I had succumbed to the hype, and I expected to be disappointed. I wasn't. Of course, the movie itself is preposterous and magnificent, but the real phenomenon is the big sell surrounding it, a parody of Hollywood promotion in its megalomaniac heyday. Madonna and Warren Beatty, as two of the most celebrated masters of puffery, are reminiscent of Hollywood at its most sensational. But to have them together in the same movie *and* romantically linked is enough to make this nostalgic fan swoon.

Kim Barrett,
North Bay, Ont.

THE CANADIAN CONNECTION

Your article on the upcoming 50th anniversary of the construction of the Alaska Highway overlooks one very significant item ("Driving to the frontier," Canada, May 28). The Canadian Army, and the Royal Canadian Engineers in particular, took over the operation and upgrading of the highway in 1946. Without this participation, and the dedicated efforts of the Army and their families who followed them to the Yukon, it is unlikely that the road would have survived or that it would have become a reliable link to the outside.

J. Victor Johnson,
President, Ottawa Branch,
Military Engineers Association of Canada,
Nepean, Ont.

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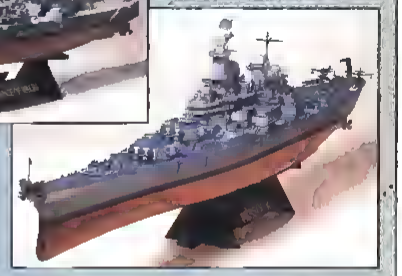
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OPENING NOTES

Robert Service electrifies the French, Conrad Black gets tough, and lighthouse keeping loses its human face

THE PRICE OF DEFAMING

Writers who cast aspersions on the character of newspaper owner Conrad Black are apparently in for rough treatment. Two weeks ago, a telling advertisement appeared in the Arts section of the Toronto *Globe and Mail*. In it, Penguin Books Canada Ltd. and author Ann Finlayson apologized to Black for "any embarrassment or inconvenience" caused by a specific passage in Finlayson's book *Whose Money Is It Anyway?: The Showdown on Pensions*, published in 1988. Two days later, *Globe* columnist Michael Valpy apologized in print for drawing "inappropriate" conclusions in his column of July 10 about Black's views on the possibility of Canadian union with the United States. In each case, Black's lawyers had filed a notice of libel. The Penguin issue ended after the apology appeared and the company agreed to destroy its remaining stock of 6,200 hard-cover copies of the book (the reference is not in the soft-cover edition). But one of Black's lawyers, Peter Atkinson, said that his client is not satisfied with Valpy's clarification and that the libel action will continue. Atkinson told *Maclean's* that his client "made a decision that he wasn't going to permit journalists to defame him." Added the lawyer: "When journalists engage in cheap shots, I think [Black] has every right not to tolerate it. He's just not going to put up with Black-bashing, and that's what the Toronto media have been up to for years." The gloves, it appears, are off.



BRIAN WILLER/MACLEAN'S

Black: two apologies in print

A sea change on the Island

Progress has claimed another victim. Of the 76 lighthouses on Prince Edward Island, only one still has a human operator—the Souris East Lighthouse, where, for 30 years, Francis McIntosh has worked. But this will be his last summer as lightkeeper. One by one, the Island's familiar red-and-white beacons have been automated, and next spring the 110-year-old lighthouse will join the rest. Said McIntosh, 54, who started before lighthouses used electricity: "I filled in for another lightkeeper when I was young and, when a job came up, I was the lucky one." He said that his job was more difficult then because he had to keep the kerosene lamp fuelled. And he added that it was complicated because each lighthouse had to have a characteristic flash so that mariners could tell the difference between one lighthouse and another. But McIntosh said that he is grateful to have had the chance to help protect sailors and save lives. "The fishermen have appreciated my efforts," he said. "We have had no real problems here, so I guess we have a lot to be thankful for." As have the ships that passed in the night.



JOHNSON/CANAPRESS

McIntosh and his lighthouse: automation

A RIGHT HUMAN WAY TO LEAVE

Ilse Sholtz has come in from the cold. When the diplomatic official at the South African Embassy in Ottawa showed up recently at a two-week international Human Rights Foundation symposium in P.E.I., a contingent of her fellow delegates began boycotting sessions, alleging that Sholtz was spying for the South Africans. "She was about as welcome as a skunk at a garden party," said one participant. Sholtz finally left after three days, saying that she had become "disinterested in the subject matter." Some rights are more human than others.



PETER SOREL

Big Boy Caprice complaints about buckteeth in the cartoon version

TRACKING DOWN THE STEREOTYPES

The resurrection of Dick Tracy, the popular 1930s comic-strip detective, has not received universal blessing. When KCAL, an independent TV station in Los Angeles, aired a 1960s Dick Tracy cartoon series to coincide with the release of the movie starring Warren Beatty, some Asian and Hispanic viewers in Los Angeles objected to the unfavorable ethnic stereotypes evident in Tracy's sidekicks, Jo Jitsu and Go Go Gomez. Jo Jitsu has buckteeth and pronounces the letter "r" as an "l." Go Go Gomez wears a sombrero and spends a lot of time asleep in a hammock. Matthew Cooperstein, KCAL director of programming, said the negative reaction was immediate, and he cancelled the series. Said Cooperstein: "We did not want to offend any of our viewers." Cooperstein added that he is confused by the reaction: "These characters were heroes who solved crimes and did not perpetrate them. They were good guys." Old heroes die hard.

Rock hogs the airwaves

Country music fans in Toronto received a rude shock recently when the city's only radio station playing their favorite songs abruptly changed its format. To raise sagging ratings, CFGM became CHOG, the self-styled "maximum grunt" outlet for 15- to 22-year-old party animals. At 5 p.m. on the fateful day, a recording of Happy Trails by Roy Rogers and Dale Evans was immediately followed by a rendition of the same tune by heavy-metal group Van Halen. Said Peter Taylor, CHOG's director of marketing: "We're irreverent without being stupid." Sorry about that, Loretta Lynn.



CHRISTOPHER MORRIS

Theberge: 'a summary of Dali's beliefs'

The voice of the public

Publicly funded art galleries in Canada usually announce their purchases only after the fact. But Pierre Théberge, director of Montreal's Musée des beaux arts, which is considering paying $4 million for a painting by surrealist Salvador Dali, does not appear to be taking any chances. Although he says that the outcry that greeted the recent $1.8-million purchase by the National Gallery in Ottawa of Barnett Newman's *Voice of Fire* is not a factor, Théberge has taken the precaution of consulting the public about the Dali acquisition in a detailed questionnaire distributed to visitors and members of the gallery. The 13-foot-by-16-foot 1963 oil painting is titled *Galacidalacidesoxiribunucleicacid*. It depicts God, Christ, a DNA molecule, Dali's wife, Gala, and Spanish Arabs pointing guns at each other. Like Newman's *Voice of Fire*, Dali's work is controversial. Indeed, many critics dismiss the artist as a cheap huckster. As well, the museum's annual acquisitions budget is only $300,000, and as a result it would have to raise the balance through private donations. Théberge said that the work is "a very important painting. It is a summary of all of Dali's beliefs." But he added, "We want to find out what the feeling is before we go out with our hands extended." Art for safety's sake.

SONGS OF A SOURDOUGH

Canadian poet Robert Service is a hero to the people of Lanciaux, France. Born in England in 1874, the bard of the North lived in Canada, mainly the Yukon, from 1894 until 1912. But he spent most of the rest of the time, until he died in 1958, in a small town in Brittany. Recently, the town held a ceremony to unveil a monument honoring Service. And although in Canada he is best remembered for writing such melodramatic, humorous ballads as "The Shooting of Dan McGrew," in Lanciaux he is revered as a philanthropist and as the man who brought electricity to the town of 1,200 people. As for his poetry, organizer Bené Guillemette said, "It is hard to capture the nuances of 'The Cremation of Sam McGee' in French."

BAD GRAMMAR BITES BACK

A crippled Soviet economy is one of the reasons for President Mikhail Gorbachev's unpopularity at home. But less well known is that Gorbachev is an embarrassment to his better-educated countrymen because of his backwoods speech. One translator compared Gorbachev's Russian to John Kennedy's having declared, "Don't you never go askin' what the motherland's gonna do fer y'all." Marina Goldman, a Montreal-based CBC journalist and Russian emigrant, says that Gorbachev's education is "second-rate." He studied law at Moscow State University during Stalin's regime, a time when the study of law was a contradiction in terms. Said Goldman: "The faculty is known for the stupidity of its students." She added: "People are upset that such an illiterate person could get such power. His image in the West is really distorted." A knight with a chink in his armor.



PETER WEGG/MACLEAN'S

Gorbachev: an 'embarrassment'

Dr. Foth always gets the last word.



No matter what the topic, you can count on Allan Fotheringham to "fuzzify the muddification". His column on the back page is the highlight of the week for many readers of Canada's Weekly Newsmagazine

Maclean's

THE WELL-INFORMED CHOICE.



Apartheid on the Potomac

BY FRED BRUNING

Mayor Marion Barry may bring disgrace on Washington, but he did not conjure up the demons that torment the American capital

Beyond the beauty of Washington, D.C.—beyond the grand boulevards and elegant hotels, beyond the tended greens and imposing statuary, beyond the massive architecture and solemn memorials—there is another city, a sick and sprawling netherworld of drugs, decay and death.

The capital is as divided as the nation it represents—whites claim the safest and most desirable neighborhoods, blacks often settle for what's left—and the separation in this case is particularly cruel because the "minority" population is in fact the majority. Seventy per cent of Washington's citizens are black. In other words, we have apartheid on the Potomac.

No one should be surprised at the results. Washington claims the highest per capita murder rate among major U.S. cities and is preeminent, as well, in a number of other formidable categories. Infant mortality, low-birth-weight babies, high-school dropouts—name your game. If grief and suffering are involved, Washington is going to be in the wretched thick of things.

Presiding over the whole sorry mess has been Mayor Marion Barry, although to blame the chief executive alone for his city's shipwrecked condition is like condemning the skipper and overlooking the storm. For three terms, Barry has lobbied earnestly on behalf of his hard-pressed constituents—those who rarely head to work in pinstripes or avail themselves of the ritual power lunch. He has led the fight to make the District of Columbia a state as opposed to a ward of the federal government and, despite periodic charges of corruption at city hall, many blacks considered the mayor a truly inspirational figure, a gritty combatant in the war against the status quo.

Steadily though, Washington slipped deeper into the danger zone. The noxious smog of late-century America—crack and random violence and racial tension and the stubborn poverty that mocks the trickle-down smugness of the Reagan years—settled over the streets and stayed put. At the White House and on Capitol Hill, it may have been politics as usual. In the battered neighborhoods a few blocks away, priorities assumed a different order. Downtown, the idea was to get re-elected. Elsewhere, the objective was to survive.

As the city was in peril, so was its mayor. For some time, there had been rumors about Barry—that despite his homilies against drug abuse, he had a taste for cocaine, that despite his marriage, he chased other women, that despite his responsibilities as leader and role model, he was undisciplined and misdirected and terminally self-absorbed. To many, it seemed clear that Barry's stouthearted work on behalf of civil rights and his campaign for D.C. statehood were being compromised by what widely was taken as the capital's open secret: Marion Barry was out of control.

In his own operatic way, Barry, 54, defended his righteousness, scored his critics, dared his detractors to make good on their claims. A year and a half ago, police found him in the hotel room of Charles Lewis, a former city employee later convicted of drug dealing, but Barry never stopped swaggering. It was as if, in some inexplicable manner, the mayor was summoning his own denouement—as if he were pushing and pushing until he broke the system, or the system broke him.

Finally, the FBI nailed Barry in a sting operation last January that involved Rasheeda Moore, then 38, a dazzling woman who claims that she and Barry were lovers for two years. Although government photographers will win no Emmy awards for their camerawork, a videotape recording of the Moore-Barry encounter at Washington's Vista International Hotel leaves the viewer convinced that Barry indeed had a weakness for cheap thrills. On-screen was the mayor of Washington taking two lengthy hits from what investigators say was a pipe full of crack.

Now Barry is being tried on drug and perjury charges. The Vista hotel videotape has been played and replayed on television. Charles Lewis told of doing coke with the mayor in Washington and the Virgin Islands. Rasheeda Monre testified she and Barry got high at least 100 times. Women recounted parties in the Caribbean. One witness tearfully claimed Barry forced her to have sex. Another said the mayor offered her cocaine almost immediately upon making her acquaintance and then, after watching an X-rated movie, proposed some romance of his own.

Alternately contrite and defiant, Barry finally acknowledged a past drug dependency and said he would not seek re-election. But, like many blacks, he continues to question why the federal government spent so much time and money pursuing him, and wonders, too, about the methods of investigators. One need not endorse Barry's habits, nor pardon his excesses, to feel a little queasy about the government stage-managing an interlude with Rasheeda Moore. And, as the now-famous video shows, while Barry lacked the strength to decline, he was anything but eager when Monre passed him the dope. "I don't smoke no more, honey," he said.

Many contend that, as a public servant, Marion Barry left plenty to be desired. A number of his lieutenants have faced criminal allegations and some have gone to jail. The mayor appears to have been a careless steward at certain moments—careless or very cagey. As the court case shows, he allowed himself to be tragically distracted by drugs and the pursuit of pleasure, and it seems certain that he hurt people in the process.

But make no mistake. Marion Barry is not the reason Washington is rotting from within. Ultimately, it may be true that Barry will impose on the city as much disgrace as once he offered its citizens pride. Still, the mayor did not conjure up the demons that torment the capital—the drive-by shootings, the disoriented children, the unwanted pregnancies, the low-paying jobs, the unfit housing, the dreams gone bust, the retreat of hope. An especially corrosive pathology continues to attend race and economics in this nation, and its harsh effects can never be underestimated. Just about every American metropolis is in a fight for survival, let's remember. Marion Barry is mayor of only one.

Fred Bruning is a writer with Newsday in New York.

DANGEROUS STANDOFF

NATIVE MILITANCY INCREASES IN THE SECOND WEEK OF A TENSE SHOWDOWN BETWEEN POLICE AND MOHAWKS

The pressure had been mounting for more than a week for politicians to do something—almost anything. It began when a mishandled police assault on July 11 left the Sûreté du Québec (SQ), the provincial police force, facing heavily armed Mohawk Indians across barricades in a tense standoff on a road through disputed land near Oka, 30 km west of Montreal. Later the same day, a second Mohawk blockade closed a bridge across the St. Lawrence River on a main commuter artery into Montreal. That roadblock, on the Mercier Bridge, attracted nightly crowds of angry commuters.

After hurling insults at Indians and threatening to rush the police lines in front of the Mohawk barricade for days, the frustrated local residents began burning effigies last week—first of Indians, then of Quebec Premier Robert Bourassa. But the barricades remained in place, and Indian protests spread, with the ripples reaching as far as Washington, where demonstrators outside Canada's embassy accused Ottawa of "corruption and genocide" against native Canadians. Indian leaders in Alberta issued warnings that rising native frustration could lead to acts of sabotage and even "a bloodbath." Finally, on Thursday, federal Indian Affairs Minister Thomas Siddon responded. The minister said that he was willing to discuss native grievances. But he added, "We won't talk while there are barricades and while firearms are used to provoke negotiations."

Siddon's response failed to defuse the situation and it infuriated many of Quebec's native leaders. For her part, Oka Mohawk spokeswoman Ellen Gabriel responded that Siddon and his department—not the natives—had provoked the standoff at the Quebec town. Said Gabriel: "They forced the barricades up because they weren't listening to our voices." And both Gabriel and the leaders of the Mercier Bridge barricade, on a highway crossing the Mohawk Kahnawake reserve south of Montreal, said that Siddon's offer did not go far enough to satisfy their conditions for tearing down the blockades. Indeed, by week's end, a gathering of Indian chiefs at Kahnawake had added several new terms to those conditions, among them a demand that Prime Minister Brian Mulroney reconvene Parliament immediately to deal with the "national crisis."



THERESE MERLAN

Montreal protesters burn Indian in effigy: mounting calls for action

One reason for the Indians' displeasure with Siddon's response was that, by his own account, the 48 year-old minister had offered the Oka Mohawks little that was new. In fact, the minister, who made his statement in Ottawa, said that his proposals merely repeated ones that he had made several months ago—and that the Mohawks had already rejected. Still, Siddon acknowledged that the Oka Mohawks have a valid claim to more land than they now control. He repeated earlier statements that the federal government was willing to acquire more land for the band, if necessary by expropriating a golf course that lies on part of the disputed area. In addition, Siddon undertook to address the social and economic needs of the Oka Mohawks.

But Ottawa declined to deal with several of the Indians' demands. Among them: a complete moratorium on all development on 260 square miles of land surrounding Oka that the natives claim is theirs, allowing independent international observers into the Indian-held areas of Oka and Kahnawake, and a reference of the Oka Mohawks' land claim to the World Court at the Hague. In addition, Indian spokesmen continued to insist that, when the barricades come down, police must give the dozens of armed Mohawk Warriors who have manned both blockades 48 hours to leave the two communities without interference. The Mohawks were also demanding immunity from prosecution, particularly on any charges that might arise from the death of SQ Cpl. Marcel Lemay, 31, killed by a gunshot wound from an unknown source during the abortive July 11 raid. "There seems to be some kind of communication gap," Gabriel said, "but the lines of discussion are still open because there are a lot of lives at stake."



SHANEY KOMULAINEN

Police searching cars at Oka: Warriors demanded amnesty and free passage

Still, despite the enormity of the firepower on display on both sides of the heavily armed barricades, there was no more shooting and were no more deaths. Lemay's killing occurred in the opening hours of the confrontation, when about 100 SQ tactical force officers charged a four-month-old Mohawk barricade outside of Oka. Militant Mohawks erected the barrier in March to protest the Oka town council's plan to permit the construction of a second nine holes for a private golf course on territory that the Indians claim.

The police action took place after the Oka town council—ignoring pleas for restraint from both provincial and federal officials—called on the SQ to enforce a Quebec Superior Court injunction ordering the Indians to remove their barricade. But in the three-hour gun battle that resulted, well-armed and well-entrenched Mohawks, led by several dozen members of the militant Warriors Society from nearby reserves, twice drove back attacking waves of police. When the shooting ended, the two sides remained dug in behind barricades 350 m apart. Last week, however, Montreal city police investigating Lemay's death refused

National Notes

THE AMERICAN VIEW

U.S. Ambassador Edward Ney said that if Quebec acquired autonomy in a future sovereignty-association arrangement with the rest of Canada, the United States would treat it as a separate country and "would have to negotiate a free trade agreement with the province of Quebec." Ney made the remarks to the nonpartisan New York City-based Foreign Policy Association. The ambassador expressed confidence in Canada's future, but he also said that Quebec sovereignty would not significantly affect U.S. policy.

'ABUSE OF PROCESS'

Ontario provincial court Judge James Fontana dismissed a charge of possession of stolen property under $1,000 against Global Television journalist Douglas Small. The action was a result of last year's federal budget leak. Calling the charges "an abuse of process," Fontana also halted the prosecution of two other Ottawa men who provided Small with a copy of a budget summary before its official release.

INVESTIGATING KICKBACKS

The RCMP said that it will investigate accusations made by Michael Zareski, a former Nova Scotia deputy minister of government services, who told the legislature's public accounts committee last month that Premier John Buchanan personally intervened to direct government contracts and jobs to friends and supporters. Zareski, who left his post last year after a dispute over the awarding of a government lease, also said that he believed Buchanan had taken kickbacks.

PRE-ELECTION MANOEUVRES

In what was widely read as a sign that a provincial election is imminent, Ontario's Liberal government announced that it will relocate the provincial transportation ministry's head office and 1,400 staff from Toronto to St. Catharines, in the Niagara peninsula. In its April budget, the government announced the movement of a total of 6,000 employees from Toronto to such communities as Windsor, Niagara Falls and Haileybury, 130 km north of North Bay, over the next decade.

THE LAST POST

Prince Edward Island Premier Joe Ghiz and a group calling itself "Rural Dignity" are fighting Canada Post's plans to cut Saturday mail delivery to the province's 16,500 rural households. Canada Post says that eliminating the last Saturday postal delivery in Canada will save the Crown corporation $140,000 annually.

to say whether an autopsy had shed any light on which side in the battle had fired the bullet that killed the SQ officer.

Tension in the tiny community of Oka (population 1,800), previously known mainly for its Trappist monastery and cheese factory, escalated in the hours and days following the initial gun battle. The Quebec police quickly brought in about 900 reinforcements. Last week, at the request of the province, a contingent of Canadian Forces troops was also moved into the area and kept on standby.

Meanwhile, additional SQ forces promptly cut off access to the Kahnawake reserve in response to the sympathy barricade on the Mercier Bridge—which added as much as three hours to the daily commuting time of thousands of south-shore residents who work in Montreal. At the same time, a series of meetings between leaders of the Oka Mohawks and Quebec Minister of Native Affairs John Ciaccia ended inconclusively, with the minister asking late in the confrontation's first week for "the federal government to assume its responsibilities" by helping to resolve the conflict.



PONOMAREFF-PC/PRESSE

Algonquin Chief Tom Rankin (centre) at Kahnawake gathering: a demand for UN intervention

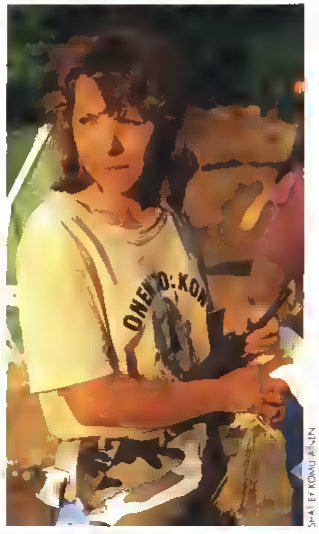
As last week began, 2,000 mourners, including several hundred police officers, attended Lemay's Monday funeral in a Quebec City suburb. At Oka, the Mohawks also marked the officer's funeral by bringing the Warriors' red flag—emblazoned with a profile of an Iroquois fighter silhouetted against the sun—to half-staff over the occupied Oka Golf Club. At Kahnawake, Chief Joseph Norton, an elected band council leader who has opposed the Warriors' militancy in the past, described the officer's death as "a tragedy." Still, the comparatively moderate Norton defended the Warriors' use of weapons in defence of the Oka lands and blamed "the white man" for provoking the conflict.

A remark by one of the SQ officers surrounding Oka illustrated the depth of police suspicion about Mohawk motives. A reporter overheard the officer telling a pharmaceutical deliveryman that a Mohawk fighter had declared that "one dead policeman is not enough." For her part, Mohawk spokeswoman Susan Oke dismissed the rumor as "completely false." Added Oke, 27, "They are just saying those things to keep the new policemen who come in angry."

Despite the lingering tensions at Oka, much of the attention and anger shifted last week to events on the Kahnawake reserve and the Mohawk blockade of the Mercier Bridge. Each evening, crowds of up to 4,000 people from the neighboring community of Châteauguay descended on the approaches to the bridge, shouting insults past a police line towards the Mohawk barrier and harassing any passers-by who appeared to be Indian. "The Indians are holding us hostage, and we're paying taxes for the police to protect them," yelled one megaphone-equipped protester. He added, "If you're white, proud to be a Quebecer and pay too many taxes, shout out."

The racial slurs became even more dramatic when small groups of demonstrators burned effigies of Mohawks dressed in battle gear and holding arrows. But, as the week wore on, the crowd's anger seemed to turn on political leaders in Quebec City and Ottawa, whom they denounced for failing to end the disruption to local commuter traffic. Said demonstrator Yves Lemieux, 40: "I'm mad at the Indians, but the person I'm really mad at now is Bourassa, because he's not doing a damn thing to help us." Late in the week, the effigy that burned near the Mercier Bridge was one of Bourassa—not of an Indian.

Gabriel: 'a lot of lives at stake'



SHAWN BY KOMO AUDIN

As non-native anger focused increasingly on politicians, the two standoffs proved to be a catalyst for widespread expressions of Indian frustration. By week's end, native groups supporting the Mohawk stand had held sympathy demonstrations in communities from British Columbia—where natives blocked several secondary highways—to Nova Scotia, where 30 Indians staged a symbolic hunger strike. And as the federal minister remained silent, leaders in several centres warned that any government attempt to force the Kahnawake Indians from their barricades would provoke reprisals. In Alberta, Enoch Cree Chief Jerome Morin, for one, said that if the government resorted to force, his people "won't think twice about shutting down transmission lines. The province could be shut down."

It was evident as well that the Mohawk protest had begun to attract attention outside of Canada. On Tuesday, two American human rights lawyers, responding to a Mohawk invitation, crossed police lines at Oka to advise the barricaded natives. One of the newcomers was New York City-based William Kunstler, 71, a well-known courtroom defender of Indian causes in the United States. Asked whether he anticipated a resolution to the impasse, Kunstler answered, "If sanity and justice prevail, we'll get out of this one." Then, on Thursday, about two dozen demonstrators marched on the Canadian Embassy in Washington to protest the federal government's handling of the affair. Declared demonstration organizer John Dacajeweiah Hill, a member of the activist American Indian Movement: "If [Canadian police] launch an assault and there is a bloodbath, the repercussions will be so severe you won't believe your eyes."

But the new mood of native solidarity arising out of the Oka standoff was strongest at Kahnawake. There, reserve residents responded to the police closure of roads leading into the Mohawk community of 6,000 with organized rationing for some supplies—including gasoline. Unarmed band members, some of them accompanied by their young children, frequently visited the Warriors' blockades to bring food to the defenders and boost their morale. Said resident Alwyn Morris, an Olympic gold medallist in kayaking in 1984: "This is a true community effort." Indeed, several residents told *Maclean's* that the siege had brought an unprecedented spirit of unity to a community that in the past has been split by antagonism between supporters and opponents of the militant Warriors. Said Skip Lafleur, the 45-year-old owner of the reserve's largest food store: "As much as we disagreed with the tactics, we are behind the principle 100 per cent."

Indeed, as native anger at the federal government's refusal to enter the Oka negotiations increased, it became clear that the issue was fostering a spirit of Indian unity far beyond the borders of the two blockaded communities. On Wednesday, about 150 Indian chiefs from bands across Canada arrived at the Kahnawake reserve by boat—to evade the police barricade—and began a three-day discussion of the situation. Observed Oscar Kistabish, vice-president of the Algonquin council for western Quebec: "There is a feeling here that has never existed." Added Kahnawake Mohawk Chief Norton: "We are all subject to the same sort of racism, hate and annihilation."

In some regions, support for the Mohawks appeared to go well beyond the Indian community. In southern British Columbia, more than 1,100 residents of Lillooet and Pemberton signed petitions asking the federal government to meet native leaders. Said Lillooet businesswoman Colleen Reynolds, 26: "We want something done now, before there is a war." And non-natives formed a large part of the crowd of 400 that marched on Parliament Hill on Tuesday, demanding that the government intercede. Michelle Falardeau-Ramsay, deputy chief commissioner of the Canadian Human Rights Commission, observed, "It is a question of land claims, it's a question of natives, and I think that the federal government has to do something."

Other non-natives, however, called for a more forceful response to end the Mohawk blockades. Amid the nightly demonstrations at the Mercier Bridge, many protesters demanded that Bourassa call in the army to clear the roadblocks. On Wednesday, however, the Quebec premier—who suffered politically for calling troops into Montreal during the 1970 October crisis—dismissed that option. Said Bourassa: "I don't think for the time being this is desirable. I think it will imply uncalculated risk."

Many of the participants in the various blockades, demonstrations and standoffs that multiplied during the week blamed Siddon for his low-profile handling of the affair. In Kanesatake, Walter David, a leader of the Mohawk Longhouse religion, declared: "We need the feds out here and we need them here now. We need someone to give us guarantees. We're talking nation to nation." Added David: "They hold all the cards." It was a view that found quick agreement among the federal government's political opponents. Said New Democratic Party Leader Audrey McLaughlin, after taking a boat to Kahnawake on Thursday to address the assembled chiefs: "Only the federal government can negotiate land claims such as this. And by its inaction, Ottawa is allowing a very, very, serious situation to escalate." The next day, Liberal Leader Jean Chrétien followed the same route to Kahnawake, where he told residents gathered in a bingo hall that he agreed with the native demand that Mulroney recall Parliament. Added Chrétien: "Mr. Siddon, if he cannot face his responsibilities, should quit."



SHAWN BY KOMO AUDIN

Oka Warrior: 'We have got to win. If we do not win, we do not survive as a people'

Other critics of the federal government's policy towards native issues, meanwhile, accused Siddon of attempting to wash Ottawa's hands of the affair—and of native complaints generally. For his part, Walter Rudnicki, an Ottawa-based policy consultant for several native groups, accused the Conservative government of following a strategy of divesting itself of all federal responsibility for aboriginal affairs. Said Rudnicki: "The perception on the part of the government is that the costs are far too high. The future costs will be right out of sight. They want to sweep the problem under 10 provincial rugs."

And, although Siddon said that he had had unpublicized involvement in the Oka Mohawks' land claim, one federal Conservative caucus member acknowledged that the party would prefer to distance itself from the emotional debate. Said that MP: "The main problem now is no longer the land claim, it is the natives' fear of reprisal from the cops." Added the Tory parliamentarian: "Everyone is trying to defuse the time bomb that has been created. And there is a feeling that we shouldn't get involved in that."

But, even after Siddon's low-key intervention, the conflict seemed by the week's end to have become even more complicated than it was at the start. At Kahnawake, the assembled Indian chiefs dismissed the minister's offer to acquire additional land for the Oka Mohawks as inadequate. Instead, they demanded in a joint statement the "immediate and unconditional" withdrawal of all police and military forces from the area of the two reserves, and called on other countries to impose sanctions on Canada if it doesn't go to the bargaining table with the Indians. As well, the chiefs asked the United Nations to appoint a commission to investigate "abuses and violations of the civil, political, human and constitutional rights [of] the Kanesatake and Kahnawake Mohawks."

What was clear, however, was that the confrontations west and south of Montreal had galvanized native Canadians' anger in a way seldom seen before in the current century. Said Conrad Sioui, acting chief of the Quebec Assembly of First Nations: "We have got to win this one. It is a question of life or death. If we do not win, we do not survive as a people." That perspective—shared by a growing number of natives—made it less likely that the federal government's understated response would resolve a dispute heavily weighted with decades of Indian resentment.

GREG W. TAYLOR *with* DAN BURKE *in Kahnawake,* ANN MCLAUGHLIN *in Oka and* BRUCE WALLACE *in Ottawa*

Breaking the faith

A report shocks Newfoundland's Catholics

Just five months earlier, when he finally broke a yearlong silence over the widening sex-abuse scandals involving his priests, the beleaguered archbishop was defiant. Most Rev. Alphonsus Penney, spiritual leader of Newfoundland's 200,000 Roman Catholics, vowed to stay at the church's helm despite calls for his retirement. "The bishop," said Penney in February, "is a father of a family, and in the family there are times when there are squabbles. That is no moment for the father to walk out." Then, last week, with the release of a devastating 575-page, church-initiated report on the abuse of boys by priests and his ineffectiveness in dealing with it, Penney changed abruptly. Speaking to an audience of 250 clerics, church members and victims of abuse in a St. John's high-school gymnasium, an apologetic archbishop said he had submitted his resignation to Pope John Paul II. Declaring that "we are a sinful church," the diminutive, white-haired leader said, "I take full responsibility and candidly acknowledge that it is I, the shepherd, indeed the chief shepherd, who has failed."



PHOTOGRAPH BY LOCKE/PICTURE WORKS

Penney: the province's top Catholic cleric submits his resignation

In fact, the 65-year-old archbishop's shortcomings are a dominant theme of the report, prepared by a five-member commission headed by former Newfoundland lieutenant-governor Gordon Winter. "Because the archbishop did not act vigorously on the complaints and concerns of his priests, parishioners and concerned parents," said the commissioners, "children continued to be abused by some priests even while [those priests were] under criminal investigation." But the Winter commission—one of three official inquiries into revelations of scores of sexual-abuse cases that have stunned the province in the past two years—went far beyond simply casting blame.

With a scope and vigor that seemed to catch church officials off guard, the report presented 55 recommendations. Among them: compensation for victims and their families; improved services for victims; an examination of the tradition of celibacy, and of the church's attitudes towards sexuality in view of the report's observation that 30 per cent of North American clergy are homosexual; and ensuring that priests convicted of sex crimes never again be given responsibility for children. But the report also assailed the church's hierarchical structure, one that it said was marked by "closed management" and "many ineffective and isolated structures within the archdiocese."

Among parishioners, reactions to the report —and to Penney's apologies and offer to resign—were swift and generally positive. Shane Earle, a former resident of the St. John's Mount Cashel orphanage whose public allegations of beatings and sexual abuse early last year sparked the separate Hughes inquiry into the operation of that institution by a Catholic lay order, the Christian Brothers, said: "I think they started off on the right foot. [But] it's just the beginning." He added: "The church has been silent for the past 15 years. The church needs to clean the whole house and not just the bedrooms." Said Barbara Crosbie, vice-chairman of a committee that the archdiocese of St. John's established to help the church respond to the report: "It pulled no punches on the state of affairs within our diocese."

Indeed, the report made it clear that accounts of sexual exploitation of young Catholic males had circulated for at least 15 years. But the public only became aware of the malaise in the church in early 1988, when charges were laid against a well-known parish priest, Rev. James Hickey. But the Winter report charges that a male adolescent told a senior church officer, Vicar-General David Morrissey, of being assaulted by Hickey in 1975. More complaints followed in 1976 and 1977. Several times in the 1980s, according to the commissioners—appointed by the archbishop himself in May, 1989—Penney was told of allegations of other sexual assaults by Hickey against juveniles. But, said the commissioners, "The archbishop dismissed Hickey from pastoral responsibilities only after his arrest on Jan. 11, 1988." Hickey, who pleaded guilty later that year to 20 sexual offences, including gross indecency involving children, is now serving a five-year prison sentence.

The commissioners also referred to a cleric identified only as "Priest Y." The report said that a mother in a rural parish took her three-year-old son to the priest's residence on July 23, 1986, to have him blessed. According to the mother, the priest asked the boy to take off his pants so he could see his "buns," and invited him to take a bath with him. Although the child refused those invitations, the priest, according to the report, placed his hand between the boy's legs. The following month, the boy's mother related those events to the chancellor of the archdiocese, Rev. Francis Coady. The following October, she approached Penney directly. The report notes that the archbishop accused her of spreading gossip and observed that "the priest was a powerful man." Penney confirmed to commissioners that he had spoken with the boy's mother, but denied making the comments. "Priest Y" was subsequently treated for alcoholism and has returned to parish work.

More damaging still, the report charges that, shortly after Penney became archbishop in 1979, a 21-year-old man told him that he had been abused by a parish priest, Rev. Kevin Bennett, at Terrenceville, on the island's south coast. Said the commissioners: "The victim gave Archbishop Penney an account of how he had been sexually assaulted on many occasions by his parish priest, Kevin Bennett. According to the victim, after hearing this allegation Archbishop Penney first inquired of the young man why he should be believed, since he was at this time receiving psychiatric care at a local hospital." Bennett is now serving four years in jail after pleading guilty last February to 36 counts of gross indecency and attempted gross indecency.

Last week, Penney denied knowing anything about that 1979 conversation. But clearly, the commissioners were convinced that senior church officials had embarked on a coverup of allegations against some of the more than 20 priests or former priests who have subsequently been charged with, or convicted of, sexually abusing boys. Said the commissioners: "The archdiocesan leadership did in fact have knowledge of deviant or sexually inappropriate behavior among some Roman Catholic clergy ... since the mid-1970s. This was long before victims publicly disclosed that they had been abused as children." Added the report: "The Commission is persuaded that the need to avoid scandal has played a part in the thinking of senior archdiocesan administrators over the past generation or so. The result was that people, especially children, were left at risk."

For their part, church administrators and parishioners now face a rebuilding task. Church authorities have called on lay representatives of the 44 parishes in the St. John's archdiocese to examine the contents and recommendations of the report. According to church spokesman Rev. Kevin Molloy, a parish priest in Portugal Cove near St. John's, parish members will meet to discuss how to implement the report's recommendations in October. Said Molloy: "The document has been given over completely to the people." He added, "It's up to the parishes to say how we implement these things." Molloy argued that the report would, in fact, be "a catalyst for the nation, because Newfoundland is not unique. We are probably the first place to really come to terms with the magnitude of the problem."

Indeed, revelations of sexual and physical abuse by priests have surfaced recently in other parts of the country. Charges and convictions have been registered against clerics of various faiths from British Columbia to Quebec. In one such case in Ontario, this spring provincial police began investigating more than 100 allegations of physical and sexual abuse at the St. Joseph's Training School for boys at Alfred, Ont., 70 km east of Ottawa. More than 100 former students of the school have told police of incidents of abuse—some verging on torture. Said Gerald Farthing, an associate professor of psychology at St. Thomas More College, a Roman Catholic college at the University of Saskatchewan: "I think every province has its own skeleton in the closet around this issue."

One of the principal recommendations of the Winter report is that the church reconsider its own attitudes and rules concerning sexuality. The report, while noting the relatively high incidence of homosexual orientation among priests, said that there is a "climate of homophobia" within the archdiocese. As a result, it said, "increased pastoral attention must be given to improve the level of understanding of human sexuality." As well, it concluded that the tradition of celibacy must undergo reconsideration, noting that "for some individuals, it may create excessive and destructive pressures." Indeed, the commissioners urged that the archbishop "join with the other bishops across Canada to address fully, directly and honestly, and without reservation, questions relating to the link between celibacy and the ministerial priesthood."



Earle: the victims get apologies for their suffering

But, for many Newfoundlanders scarred by the actions of deviant priests, regret and apologies for past wrongs were of at least equal importance to future plans. In his statement last week, Penney said of the victims of abuse: "We are sorry for the times you were not believed, were not supported or were ostracized in our community. For every word and action which may have deepened your pain, we are profoundly sorry." Said Earle: "That was something we wanted to hear from Day 1 of this. It took all this time and all these painful memories to finally get it." But Dereck O'Brien, another victim of sexual abuse at the Mount Cashel orphanage, questioned the sincerity of the church leader, arguing that a church committee that had been studying the report for a week before its public release had helped Penney respond to it. O'Brien claimed that the apology was more strategic than sincere. Said O'Brien: "He was like a puppet. His lips were moving, but they were somebody else's words."

Beyond the hard-hitting findings of the Winter report, Newfoundland Catholics now have to brace themselves for further consequences of a church in turmoil. The commission said that Penney, in addition to his negligence, may have violated the provincial Welfare Act by not reporting suspected child abuse to appropriate authorities. Supt. Len Power of the Royal Newfoundland Constabulary said last week that no decision has been made on launching an investigation. But, he added, "We are looking at it." And a public inquiry into abuse during the mid-1970s at the St. John's Mount Cashel orphanage, and its coverup by both church and government officials, concluded nine months of hearings last month. Retired Ontario judge Samuel Hughes is expected to deliver his report by the end of the year. Another, smaller church inquiry in the Corner Brook area on the province's west coast will also release a report within a year.

For his part, Alphonsus Penney could be asked to stay on as archbishop. Under Roman Catholic church law, Penney can only resign if Pope John Paul II allows him to. And there had been no Vatican response by week's end to his letter, dated July 12. But if the archbishop maintains primacy over the troubled church in the province, it is clear that he will have to lead it in new directions. The commissioners said that "there is a need for a radical change in the way the archdiocese is governed." Not only does it owe restitution to the long list of its victims, they added, but "it must resume the role of spiritual leadership, which has been too often wanting in the past." Newfoundland Catholics—now painfully aware of their church's darkest secrets—can only hope that that change in direction will arrive soon.

GLEN ALLEN *in Halifax with* **RUSSELL WANGERSKY** *in St. John's*



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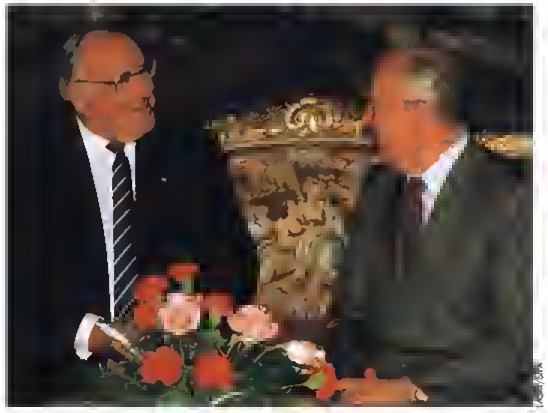
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A TRIUMPH OF WILLS

MOSCOW AGREES TO THE GERMANYS' MEMBERSHIP IN NATO AND CLEARS THE WAY FOR UNIFICATION

Only five months ago, Soviet President Mikhail Gorbachev declared that NATO membership was "absolutely out of the question" for a united Germany. And as recently as last week, U.S. Secretary of State James Baker, flying to Paris for another of the so-called two-plus-four talks between the two Germanys and the four postwar occupation powers, predicted that they would not be able to break the impasse. Then, during a refuelling stop in Shannon, Ireland, Baker learned from reporters that Gorbachev had reversed himself, agreeing to German membership in NATO and other concessions that removed the last barriers to unification. Baker's department had not notified him of the new developments, but it emerged later that Washington had also been overtaken by events.

Gorbachev and West German Chancellor Helmut Kohl announced the breakthrough after they had conferred for two days in Moscow and in a mountain hideaway in the northern Caucasus. Kohl, clearly elated, called it "a fantastic result." Under the terms of the accord, the Soviet Union effectively renounced its role as an occupying power and lifted all restrictions on German sovereignty, including the country's right to choose its own alliances. In exchange, Germany will cut its armed forces to 370,000 troops, from 667,000 in the two German armies combined, and it will help defray the cost of keeping Soviet troops in what is now East German territory during a three- to four-year transition period. Kohl also promised a broad-ranging treaty on technical and economic co-operation that will make Germany a major partner in Gorbachev's *perestroika* program. But Bonn officials hotly denied that Germany was, in effect, buying its freedom. Said Foreign Minister Hans-Dietrich Genscher: "It is not appropriate to talk about a price paid to buy Soviet agreement."



Kohl and Gorbachev: making foreign-policy concessions to get aid

In Paris, delegates to the two-plus-four talks quickly took advantage of the momentum generated by Kohl and Gorbachev to allay concerns among Polish officials about their German neighbors. Before last week's meeting, Genscher privately assured Poland's foreign minister, Krzysztof Skubiszewski, that the new Germany would honor all of East Germany's current business contracts with Poland. In the talks themselves, Genscher and his East German counterpart guaranteed that Germany's postwar frontier with Poland, along the Oder and Neisse rivers, would remain unchanged.

All six foreign ministers then announced that they will meet in Moscow on Sept. 12 to draft a final settlement that would terminate U.S., British, French and Soviet responsibility for Germany. If that settlement gets approval from the 35-nation Conference on Security and Co-operation in Europe, scheduled to meet in Paris on Nov. 19, it will be followed by all-German elections on Dec. 2, leading to a formal declaration of unity.

Kohl's personal rapport with Gorbachev seemed to strengthen his chances of being elected the first chancellor of a reunited Germany. But his host revealed after their meetings that he would not have agreed to NATO membership if the Western alliance had not decided, at its summit in London earlier this month, to eliminate all vestiges of the Cold War. Said Gorbachev: "We could not have reached this agreement without the context in which the visit took place."

The Soviet leader also appeared buoyed by his recent victory over conservatives within the Communist party, who had counted on German unification as an issue on which they could rally popular opposition to Gorbachev's political reforms. At the 28th party congress in Moscow earlier this month, hard-line army generals argued that it would be a major mistake to allow Germany to increase its strength. Gorbachev bluntly asked them if they wanted to send in their tanks again. Afterwards, his fiercest conservative critic, Yegor Ligachev, mustered barely a sixth of the delegates' votes in a failed attempt to win the deputy party leader's post.



Anti-Communist party demonstration in Moscow: widespread dissatisfaction

But Gorbachev still faces severe domestic difficulties. The Soviet economy has almost collapsed, and there is widespread dissatisfaction over the slow pace of reform. On July 15, 50,000 demonstrators marched through Moscow demanding an end to Communist rule. The Central Asian republics are wracked by ethnic violence; last week, there was a fresh outbreak of fighting in Kirghizia, where more than 200 people have been killed since early June. And while Gorbachev and Kohl were celebrating their foreign policy triumph last week, Ukraine became the seventh Soviet republic to declare sovereignty. Like the giant Russian Federation, it did not demand outright independence, but proclaimed itself free of Moscow's supervision in such key areas as trade, agriculture, industry and even the stationing of Soviet troops on Ukrainian soil.

Western analysts say that Gorbachev, hoping that his foreign policy concessions will lead to large amounts of Western aid, is counting on an economic miracle to reverse the separatist trends. Even though German officials denied that they had made any specific aid offer last week to the Soviet leader, Kohl acknowledged that in their private talks Gorbachev had placed great emphasis on what he called the "economic preconditions" necessary to achieve political reforms. And Bonn did, in fact, purchase a considerable amount of Soviet goodwill last month by granting Moscow $3.5 billion in credits to help bolster Gorbachev's flagging reform program. Kohl also tried, at the recent Houston summit of the top seven industrialized nations, to promote a $17.4-billion aid package for the Soviets. The summiteers decided in principle to support *perestroika* but deferred a decision on the aid plan until a six-month study of the issue is completed.

Kohl's success in the Soviet Union inflamed some lingering concerns about German domination of Europe. But most European leaders expressed satisfaction that German membership in NATO and the European Community would guarantee peaceful relationships. Said Walther Stützle, director of the respected Peace Research Institute in Stockholm: "Europeans can console themselves with the thought that no single country will find its economic and military power so hemmed in by international accords and institutions as the future Germany."

HOLGER JENSEN *with correspondents' reports*

World Notes

A DEADLY QUAKE

The death toll from the worst Philippine earthquake in 14 years climbed to more than 700 as rescuers raced against time at week's end to find more survivors in the rubble of collapsed hotels and other buildings. In the devastated northern city of Baguio, where at least half of the deaths occurred, heavy rains severely handicapped rescue efforts. The earthquake, which measured 7.7 on the Richter scale, left a swath of destruction across the northern Philippines, causing damage estimated at more than $400 million.

SWITCHING SIDES

In a major policy shift, Secretary of State James Baker announced that Washington would open a dialogue with Vietnam to prevent the Chinese-backed Khmer Rouge from returning to power in Cambodia. He also said that the United States was withdrawing its recognition of the UN seat held by the tripartite resistance coalition that includes the Khmer Rouge. Between 1975 and 1978, when the Vietnamese invaded Cambodia and overthrew the government, members of the Khmer Rouge killed between one million and three million people through forced labor, starvation, torture or execution.

A WINNING APPEAL

A U.S. Court of Appeals threw out former national security aide Oliver North's three-count criminal conviction in the Iran-contra scandal, and ordered the trial judge to hold a hearing on whether the prosecution case had been tainted by North's testimony at an earlier congressional hearing.

SOLIDARITY DIVIDED

In a formal break with Solidarity leader Lech Walesa, more than 100 prominent Polish intellectuals formed a new political party, Citizen's Movement-Democratic Action, sympathetic to Prime Minister Tadeusz Mazowiecki's policy of following a steady pace of reforms. Walesa's own Centre Alliance group has demanded that Mazowiecki speed up change.

DEFUSING A CRISIS

The eldest son of Deputy Prime Minister Devi Lal resigned as chief minister of northern Haryana state, defusing a crisis in India's coalition government during which 13 cabinet ministers resigned. The quarrel erupted after Lal reinstated Om Prakash Chauthala as chief minister without consulting Janata Dal party leaders, two months after the party had ordered him to step down following election violence in the state.

THE UNITED STATES

Showdown in Dixie

Race still plays a role in Georgian votes

Against the night sky, the glass and steel skyscrapers of Atlanta shimmered like symbolic spires of the still-formative land that sociologists call the New South. But inside the trendy row-house complex that served as campaign headquarters for Andrew Young, the 58-year-old former mayor who had presided over Atlanta's economic boom in the 1980s, the mood was increasingly grim. Beneath balconies strung with red, white and blue bunting, a crowd of blacks and whites watched as television newscasters reported the surprise twist in last week's Georgia Democratic primary. Young trailed a formidable 12 percentage points behind his main rival, Lt.-Gov. Zell Miller, in his bid to become the first black governor of the state and, indeed, anywhere in the Deep South, since the post-Civil War period. Said dejected supporter Dennis Robertson: "I heard a lot about Georgia becoming the New South and how this election was going to give that credence. But so far, it's business as usual."

In fact, the old, ugly question of race, never once raised openly as an issue in a remarkably gentlemanly and even bland campaign, may yet emerge as the stark determining factor in whether Young achieves his goal. With neither candidate winning a 50-per-cent majority of the vote, Young has already scored a breakthrough of sorts, becoming the first black to fight a gubernatorial runoff, which takes place on Aug. 7. But seasoned southern political experts predict a rougher fight over the next two weeks, the prelude to a bitter battle for the Nov. 6 general election.

Then, the Democratic winner will face off against State Representative Johnny Isakson, who won last week's Republican primary in a 74-per-cent landslide. But with Young failing to capture a significant portion of the white vote and Miller failing to make major inroads among blacks, Atlanta pollster Claibourne Darden declared that, despite predictions to the contrary, "race was a very, very significant, if not downright dominant, issue." He added, "People may not talk about it, but when it's raining in Georgia, you don't need to tell people they're getting wet."

As a bellwether of change, some of Young's supporters had sought inspiration from Virginia politician Douglas Wilder's victory last November as the nation's first elected black governor. But Wilder had already won statewide elections as lieutenant-governor in 1985, while Young's stronghold remains Atlanta. And as Young's campaign manager, Hobby Stripling, pointed out, racial attitudes may differ. Said Stripling: "There's been a much larger influx of people into Virginia from other places who brought a different outlook. There's still a lot of the old philosophy around here."



Young: facing a dilemma—how to motivate blacks without alienating white voters

Still, one indicator of the passing of the Old South lay in the weak finish of former segregationist governor Lester Maddox, who won only three per cent of the vote. At 74, the outspoken populist threw himself into the Democratic primary, reviving memories of the acrimonious 1960s, when he gained notoriety for refusing to racially integrate his Pickrick restaurant in Atlanta. With almost no campaign funding, and largely ignored by the media, Maddox drew his feeble support from rural white Georgia, where the lower middle class has proved the most resistant to the changes launched by the civil rights movement.

On primary night, Maddox's followers, many of them members of the ultraright-wing John Birch Society, gathered in a half-filled motel room on the outskirts of the city, wearing buttons that read "Maddox Country." As marching music played in the background, they railed against the political establishment and the media. Said Maddox: "It was a victory for the socialist media because of their fear they would get somebody in the governor's mansion they couldn't control. I would have been your bull in that china cabinet."

In fact, Maddox provided the only sparks in an otherwise lacklustre Democratic debate, describing Young as a "socialist" who was trying to turn Georgia into the "capital of the Third World." He rejected the segregationist label, however, saying that racism "was wrong then, when whites practised it, and it's wrong now, when you have affirmative action and job quotas." But those declarations revealed one of the key developments in the New South, where racial unease is now often masked by the subtlety of code words. Wrote Atlanta *Journal-Constitution* columnist Mark Silk: "Socialism meant, in the old White Citizens Council jargon, mandated integration. How else to attach the word to Mr. Young, who has made a career of courting corporate America?"

One issue that apparently helped sweep Miller to his first-place finish was his proposal for a state lottery—a notion popular among many Georgians, if not church ministers. Miller reflected a growing weekly pilgrimage by Georgians when, in the campaign's final days, he made a symbolic trip across the Florida border to buy a ticket in that state's Lotto, where the jackpot last week was $31 million.

Young pledged to bring new investment to the state, as he has done for Atlanta. But that pragmatic rallying cry from a onetime aide to Rev. Martin Luther King Jr. failed to inspire blacks to vote in the numbers Young had hoped for—and now needs. Some analysts said that his lack of drawing power was a result of the sophistication of Young himself and of his staff. Said Darden: "He had a real problem with the rural black vote in the old Cotton Belt, which is basically what we call a machine vote." He added: "They're there, but you've got to bus them and truck them. Andy's staff may be too citified to understand that. They just don't pick much cotton."

Pressing the right emotional buttons to get out the black vote for next month's runoff will not be an easy task for Young, who has found his so-called blackness questioned even by former fellow King aides since his days in the civil rights movement. The son of a prosperous New Orleans dentist, Young grew up in a cultured, upper-middle-class home and studied theology in Connecticut before returning to the South in the 1950s to start a literacy program for blacks. To prepare for his work among the southern poor, he taught himself to appreciate jazz and the blues. Even after joining King's cause, he wore a shirt and tie, not a colorful African dashiki, or pullover, and often negotiated with white sheriffs and the FBI, leading fellow activist Hosea Williams to label him an "Uncle Tom."

Skilled as a conciliator, in 1972, Young won the first black congressional seat in the Deep South in this century. And, four years later, President Jimmy Carter named him ambassador to the United Nations. In 1979, however, Carter asked him to resign after revelations that Young had secretly conducted unauthorized negotiations with the PLO.

Still, two years later, Atlanta voters elected Young as mayor, just as Ronald Reagan swept into the White House. And the mayor's fortunes, as well as the city's, soared at a time when Reagan began rolling back many civil rights gains of the previous 15 years. As Atlanta boomed during Young's two terms, attracting 1,000 new corporations and $81 billion in new investment and creating an estimated 700,000 new jobs, he became the darling of the white business community.

But in 1987, sensational allegations of cocaine use threatened to cloud Young's political future. The mayor declared that he had never used the drug, and before a federal grand jury in Atlanta, he denied allegations that he had interfered in a police investigation into cocaine use by prominent local political figures. No charges were laid against Young, and the media quickly lost interest in the case.

Miller has already attacked Young's record as a crime fighter, pointing out that Atlanta's crime rate leads that of all U.S. cities. But Young has countered with an attack on the state's speedy prisoner-release program. Miller is also expected to attack Young's reputation as an absentee administrator who, as mayor, won the nickname "Globe-Trotting Andy." In 1987 alone, Young spent 102 days on the road. Last week, Young argued that his travels brought nearly $13 billion in foreign investment to the city. But it is also clear that he shines not as an administrator but as an international salesman. And he even interrupted his campaign to fly off to Tokyo in his added role as the chief lobbyist for Atlanta's bid to host the 1996 summer Olympics. But many poor blacks resent the fact that few of them benefited from Atlanta's economic explosion.

Indeed, Young now faces a real dilemma, how to motivate blacks who make up slightly more than one-third of Georgia's registered voters, without alienating the support of the 25 per cent of the white vote he needs—and without appealing to race. That task is all the more difficult for a man who has avoided the emotive oratory of Jesse Jackson, with whom his relationship has long been uneasy.

But Young and other Democrats share an additional concern: that he could win the primary runoff only to be trounced in November by Isakson, the first credible Republican candidate in decades. Young has said that he would be blamed if a Republican won the governorship from the Democrats for the first time in 120 years. Still, it is far from certain that Young will be the Democratic candidate facing Isakson. Pollsters said that one of the most puzzling aspects of last week's vote was an apparent return of many recent Republican voters to the Democratic fold, a move that defied the trends of the past decade. One local Republican official, Walter Krauth, claimed that the surge was an effort to prevent Young from beating Miller. Eric Brown, a white massage therapist, said he agreed with that theory. He added, "A lot of my friends were voting Democrat in the primary just to make sure Young didn't get in."



Miller (right) with his campaign manager: a winning proposal for a state-sponsored lottery

Whoever wins the Democratic nomination, Darden pointed out that both Young and Miller are liberal candidates in a landscape that remains profoundly conservative. Polls show that only 17 per cent of southerners identify themselves as liberals. But Darden says that the Democrats, by continuing to field liberals, are merely provoking the increased flight of southern whites to the Republican party and hastening their own party's demise. Long gone are the days when southerners would proclaim themselves "yellow-dog Democrats"—so loyal that they would vote Democratic even if the party fielded a yellow dog. And political scientist Merle Black, of Atlanta's Emory University, declared that Democratic candidates, who assume conservative colors to win Southern whites back to the party, are chasing "phantom voters" who have already switched their allegiance to the opposition. Said Darden: "This may be the start of the collapse of the Democratic party as we know it in the South."

That prospect evidently weighs heavily on Young, like politics itself, which he regards as a duty. His reserve on the campaign trail helps to account for both his lukewarm performance and the equanimity with which he occasionally allows himself to contemplate defeat. Conjuring up an old spiritual, he said, "If I don't get elected, I'd probably say, 'Free at last.'" But, at least until Aug. 7, that is not a melody he willingly chooses to sing.

MARCI McDONALD *in Atlanta*

The Banks' New Weapon: BEING NICE

THE BIG SIX ARE FIGHTING BACK TO RECOVER LOST GROUND AT HOME AND ABROAD

For Canada's big banks, the 1980s will be best remembered as a time to forget—a humbling period of turmoil that catapulted them onto a path of irrevocable change. As the decade opened—and throughout the mid-1980s—the country's so-called Big Six chartered banks suffered a series of stunning losses, ranging from billion-dollar Third World loans to mistimed assistance for ailing North American industries such as real estate and oil and gas. In the latter half of the decade, the banks miscalculated again, launching ambitious forays into European and Asian financial centres that largely proved to be expensive failures. Beleaguered at home and abroad, the Big Six are now gearing up to win the critical battle of the 1990s—providing for the rapidly expanding and demanding, banking needs of Canadian consumers.

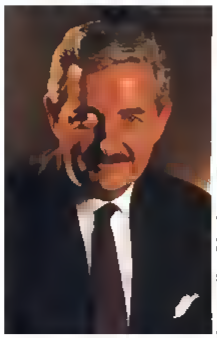
The Royal Bank of Canada, for one, plans to open a 24-hour full-service branch, the first in North America, this October in Burlington, Ont., a middle-class bedroom community that serves both Hamilton and Toronto. Other banks, such as the Canadian Imperial Bank of Commerce, are using exotic vacations, cash and other prizes to coax consumers into their branches. Says Donald Fullerton, CIBC's no-nonsense chairman: "Today, the home market is key to being a world competitor—and everybody knows it."

No longer the unchallenged goliaths of Canada's financial system, the Big Six chartered banks are running hard simply to keep up with aggressive new rivals. In all, the Big Six still control more than half of all banking business in Canada. At the end of 1989, the Royal Bank of Canada had assets of $114.6 billion, the Canadian Imperial Bank of Commerce $100.2 billion, the Bank of Nova Scotia $81 billion, the Bank of Montreal $78.9 billion, and the Toronto-Dominion Bank (TD) $63.1 billion. The National Bank of Canada is the smallest of the Big Six in asset size, with $33.9 billion. But despite their size, in their core businesses of deposit-taking and loans, the Big Six have only recently turned around a seven-year decline in loss of market share. Innovative, service-oriented trust companies have gained new customers at the banks' expense, even though they have much smaller branch networks. The banks are also meeting stiff new competition from such as the feisty foreign-owned banks, Hongkong Bank of Canada, which now has more than $11 billion in assets.

Service: Between 1982 and 1988, a period of unprecedented economic expansion in Canada, the Big Six banks' share of personal deposits shrank to 51 per cent from 57 per cent. The banks' aggressive counterattack halted the decline in 1989, and market share has since inched up to 51.7 per cent. But, in all, the banks' share of total financial assets—the vast majority of which are loans—has dropped sharply, to 62.8 per cent in 1988 from 69 per cent in 1980.

Over the past three years, the banks have watched their pre-eminent financial role further eroded as Ottawa permitted foreign and non-bank competitors to encroach on their traditional preserves. Financial institutions ranging from the Canadian subsidiary of U.S. credit-card and financial services giant American Express Co. to small insurance companies will soon wield powers that were once reserved for the banking industry alone. In some cases, they will have powers still denied to Canadian banks (page 33). That concerns bankers like Gordon Bell, president of the Bank of Nova Scotia, who says that he is "angry" that such competitors can now take aim at the banks. Said Bell: "They can chip away at our network with one or two products, but we can't offer the product that is the core of their business."

Barrett: collegial



BRIAN WILLER/MACLEAN'S

Even those consumers who stay with the Big Six are becoming more sophisticated about their banking needs and demanding better service from their banks. Toronto-based freelance artist Nola McConnan, for one, like thousands of Canadians who claim to have been mistreated by their banks, recently withdrew all of her business from a branch of the Royal Bank after a dispute in which she said the bank was "obdurate and arrogant." McConnan said that she was enraged when the bank demanded $50 a month for overdraft protection on an account averaging less than $1,500. Chris Anderson, spokesman for the Royal, says that the charge was for an optional business services package that included more than just overdraft protection. "In hindsight," added Anderson, "we should have provided greater detail about options available to her that would better match her individual banking needs."



BRIAN WILLER/MACLEAN'S

The Royal's main branch in Toronto: no longer unchallenged financial goliaths

While they have lost customers at home, Canadian banks have also suffered discouraging defeats abroad. In recent years, some of the big banks, most notably the Royal, have retreated from such financial centres outside North America as London and Tokyo. Before 1980, four Canadian banks—the Royal, CIBC, the Montreal and Scotiabank—ranked among the world's top 50 banks, measured by total assets. Now, the top-ranked Canadian bank in the world is the Royal at 54th. And some bankers say privately that they expect Canada's long-term, international competitiveness in banking to continue to decline.

Indeed, the financial pressures on the banks are now so intense that some leading bankers and trust company executives predict that some institutions will merge rather than continue to lose ground. One possibility raised by one senior banker is a potential merger between the National, which has most of its business in Quebec, and the Toronto-Dominion, which lacks a power base in Quebec. Says Mervyn Lahn, the outgoing chairman of Canada Trust, the nation's largest trust company with assets of $33.2 billion: "There is far more capacity in financial services than the country needs. Some degree of consolidation is highly probable in the next 10 years." For his part, TD president Robin Korthals says that, while he would not rule out mergers, banks would have to experience dramatic declines in their profitability before mergers would occur. Added Korthals: "It's politically popular to have as many financial institutions going as possible."

In fact, several non-bank financial institutions are beginning to rival the Big Six banks in size. Trilon Financial Corp., the financial services arm of Peter and Edward Bronfman's sprawling Toronto-based business empire, is now Canada's largest non-bank financial institution, with assets of $44.4 billion. The Quebec government's giant pension fund manager, the Caisse de dépôt et placement du Québec, with assets of $37.5 billion, is not only by far the largest financial institution in the province, it also controls the largest single pool of investment funds in the country.

Hawaiian: As a result of the intense new competition, the banks are returning to basics. They are refocusing on the core group of clients that has traditionally been their largest constituency—Canadian consumers. Indeed, Canadians hold over 39 million personal accounts at Canada's Big Six banks.

To attract and hold on to customers, the banks are embarking on aggressive marketing initiatives. In the process, they are abandoning their conservative, pinstriped image in favor of selling techniques more often associated with major retailers. Last month, employees at several CIBC branches across Canada decorated their branches with mock palm trees and dressed in flowered Hawaiian shirts during a

Business Notes

WHY JOHNNY IS UNABLE TO ADD
Statistics Canada reported that more than half of Canadians aged 55 to 69 lack the basic mathematical skills to deal with everyday tasks, such as filling out a bank deposit slip or completing mail-order catalogue forms. As well the survey of 9,500 Canadians aged 16 to 69 shows that innumeracy cuts across all age groups.

BEER PLAN APPROVED
The possibility of free-flowing beer among provinces moved a step closer to reality. Federal and provincial officials agreed on a proposal that would phase out provincial barriers restricting the flow, beginning on Jan. 1, 1991. Under the proposal, which still requires unanimous ministerial approval, the barriers would be removed, creating more competition in beer sales, if provinces with at least 80 per cent of the population agreed. Foreign beer companies are challenging, as an unfair trade practice, existing rules prohibiting brewers from selling beer outside of the province where it is produced.

FISH PLANT DEAL
National Sea Products Ltd., which closed a fish-processing plant in Canso, N.S., in March, putting 750 people out of work, announced a deal that would restore what had been the town's major industry. Company officials said that they will sell the plant, and a similar operation in Burgeo, Nfld., to Seafreez Foods Ltd. of Halifax for $27 million.

SUPERMARKET SHUFFLE
Debt-burdened Steinberg Inc., the Quebec supermarket chain, announced that it has sold Miracle Food Marts, its Ontario-based supermarket and pharmacy chain, to the Great Atlantic and Pacific Tea Company Inc. for $235.5 million.

THE PRICE OF PEACE
The slowdown in U.S. defence spending has cost California 18,000 jobs in the aerospace industry since Jan. 1. McDonnell Douglas Corp. of St. Louis delivered the latest blow last week when executives said that they will cut 17,000 jobs, including 9,000 in California.

A NEW GOLD DEAL
Colorful Vancouver stock promoter Murray Pezim, his associate Arthur Clemiss and Vancouver lawyer Lawrence Page agreed to sell their block of shares in Prime Resources Group Inc. to Corona Corp. for $65 million. That effectively gives the Toronto-based gold-mining company control of the coveted Eskay Creek property in northern British Columbia.

WITH DEBIT CARDS, CONSUMERS WILL 'DO THE BANKS' WORK FOR THEM'



Using ATMs in Vancouver: more financial services 'than the country needs'

promotional campaign that gave new depositors a chance to win a Caribbean cruise or cash prizes. A similar 13-week promotion last summer produced a 50-per-cent increase in the value of new accounts, compared with the same 13-week period a year earlier.

In another costly effort to attract new customers, the banks are investing millions of dollars in new technology, such as the rapid expansion of their networks of automated teller machines (ATMs), which allow users to make deposits, withdrawals and bill payments. They are also testing what they say will be the next consumer-banking breakthrough, debit cards, which automatically deduct the purchase price of goods from a customer's bank account. Now, customers can pay with the equivalent of cash without visiting either a teller or an ATM. But such transactions will also create new costs for the consumer. According to bank spokesmen, the cost of each debit-card transaction will be roughly equal to the cost of writing a cheque.

Complaints: Even as they modernize, banks are also trying hard to improve personal contacts. Some banks have passed the authority to deal with a seemingly endless list of consumer complaints down from senior managers to tellers who actually deal with the public. CIBC tellers now even have the power to reverse contentious service charges.

Still, bank complaints abound. Deborah Soles, an insurance broker in Cranbrook, B.C., recently duelled with the Bank of Montreal over a $100 service fee for discharging her mortgage. Soles had already agreed to pay an interest penalty for prepayment, but she says that she was never told of the additional $100 fee. Although Soles finally agreed to pay, she has stopped dealing with the Montreal and does an increasing amount of business with her "very helpful and much easier to deal with" trust company.

Soles is not alone. Indeed, 1,400 consumers registered a variety of complaints against their banks with the federal superintendent of banking's office in Ottawa last year. Worried bankers insist that they are working hard to reduce the number of complaints. Warren Moysey, president of CIBC's retail banking operations, said that his bank has spent the past six years modernizing its "antiquated" management style, which concentrated too much power in the hands of a few people in head office, leaving it unresponsive to customer needs.

Spectacular: The banks' efforts to promote their products and services go well beyond glitzy new marketing campaigns. The very nature of the executive who will operate Canada's giant banks in the future is also changing. Some of the banks' new recruits are drawn from retail businesses, such as Holt Renfrew & Co. Ltd., the Bay and Simpson's. The aim, Moysey said, is to improve profits by hiring executives who can sell the banks' services like any other product in the marketplace.

In one of the most spectacular examples of the rise of the new banker, the Bank of Nova Scotia surprised Bay Street last October by appointing L. R. (Red) Wilson to a top position. Although he had no banking experience apart from the Bank of Nova Scotia directorship, which he assumed in 1986, Wilson, 50, now shares the position of vice-chairman with Peter Godsoe, 52, a 24-year banking veteran. Both report directly to chairman Cedric Ritchie, 62.

Normally, bankers reach such heights only after many years spent wending their way through their institution's serpentine bureaucracy (page 30). Indeed, Ritchie joined the bank straight out of high school as a teller in Bath, N.B., in 1945. But Wilson has virtually parachuted into the bank's top ranks. After earning a degree in economics from Cornell University in 1967, he worked in the Canadian foreign service, was vice-president at MacMillan Bloedel Enterprises Inc. and later corporate economist at John Labatt Ltd. From 1978 to 1981, he was Ontario's deputy minister of industry and tourism before becoming chief executive officer of sugar-refining giant Redpath Industries Ltd. in 1981. At Redpath, he cemented his reputation as a skilled manager. As a result, Wilson's appointment has prompted bank analysts and competing bankers to speculate that the Scotiabank lured him with promises of eventually becoming chairman.

At least one other Canadian bank that suffered setbacks under its old leadership has already installed a new chairman known for his collegial approach and strength in long-term planning. Although he is only 45, Matthew Barrett in January succeeded the combative William Mulholland as chairman of the Bank of Montreal and has moved quickly to transform the bank from a highly centralized institution with high costs into a leaner, more consumer-oriented bank (page 29).

The new breed of bankers faces a growing set of challenges, which will increase this fall when the federal government finally introduces its long-promised legislation on financial deregulation. Ottawa's announced plan is to allow banks and other financial institutions to sell a wide range of new products ranging from trust services to insurance to those of a real estate agent.

But already, banks are discovering that the possibilities offered by new products can also be a fresh source of headaches. In the latter half of 1987, four of the Big Six announced that they would purchase four of Canada's largest securities dealers, at a cost of $1.3 billion (page 28). But, in October, only months after most of the sales were announced, the stock market crashed and profits in the securities industry dipped sharply. As a result, analysts say that several dealers have lost tens of millions of dollars.

In addition, many leading consumer advocates, armed with a long list of complaints, say that they have serious concerns about granting the banks more powers and freedoms. Consumers Association of Canada spokesman Tom Delaney says that the banks' clients are already frequently more knowledgeable than the staff members who are serving them. Says Delaney: "The assumption of the banks, that putting out more products will bring more profit, is misguided unless they are accompanied by skilled personnel to sell them."

Cashless: At the same time, the banks are under intense pressure from less bureaucratic and faster-moving foreign competitors. For ooe, the quickly growing Hongkong Bank of Canada nearly doubled the number of its branches to 115 when it purchased Lloyd's Bank of Canada last November. The Hongkong's chief operating officer, William Dalton, says that the bank's branches in communities across the country, from Penticton, B.C., to Barrie, Ont., compete aggressively for retail customers, unlike many foreign banks that restrict their operations to corporate finance. Adds Dalton: "We are a street-level, honest-to-goodness Canadian bank."

But what Canadian bankers appear to fear most is the competitive threat of the highly efficient, strongly focused marketing techniques of American Express Canada Inc., their most controversial competitor. Amex has 1.5 million cardholders in Canada, and a substantial percentage of them are in high-spending and high-income brackets. Says Terry Shaunessy, research director at Toronto-based broker Merrill Lynch Canada Inc.: "Amex frightens the banks. It is the best-run financial institution in the world."

Ultimately, bankers say, they want to create a cashless society in which the banks' vast network of computers and debit-card systems will replace most transactions that are now conducted with cash, while producing billions of dollars in service fees. In their most ambitious test of the cashless society so far, the Big Six will launch a pilot project of the debit-card system in September. The project will involve more than half the 800 retail outlets in the national capital region of Ottawa/Hull, including businesses such as grocery stores, where customers usually pay in cash. Debit-card machines, similar to those now used for credit-card transactions, will be used by store personnel at store counters. In addition, existing credit-card machines will be able to handle debit cards, giving the customer the option of paying by cash, cheque, credit card or debit card.

But the Consumers Association's Delaney says that debit cards also carry a price. He adds that individuals who perform their transactions on the machines will "do the banks' work for them, and pay the banks for the privilege." Declared Delaney: "Debit cards are a printing press for making money because of the fee associated with the withdrawal." Delaney and millions of Canadians will be watching closely as the banks further test the debit card along with many other new products—and the marketing techniques used to sell them. Indeed, the banks may still be a long way from convincing consumers that, behind the new image of better banking, there is also a new reality. But they have clearly taken the first determined steps towards reaching that goal.

PATRICIA CHISHOLM *with* ***MICHAEL HARRISON*** *in Toronto*



KIM STALLKNECHT

Bank staff competing in chuck-wagon races two weeks ago at the Calgary Stampede: abandoning their conservative image

THE BIGGEST BANK BALANCES

The World's Top Five Banks and Canada's Big Six

(1989 figures)

Name of Bank *(Country)*	Rank	Assets *(in $billions)*
Dai-ichi Kangyo Bank *(Japan)*	1	$452.2
Sumitomo Bank *(Japan)*	2	437.2
Fuji Bank *(Japan)*	3	425.5
Mitsubishi Bank *(Japan)*	4	410.5
Sanwa Bank *(Japan)*	5	407.1
Royal Bank of Canada	54	114.6
Canadian Imperial Bank of Commerce	62	100.2
Bank of Nova Scotia	78	81.0
Bank of Montreal	79	78.9
Toronto-Dominion Bank	96	63.1
National Bank of Canada	156	33.9

Source: Institutional Investor, Canadian Bankers Association

CHRISTINE T. PAKTOOSE



CIBC and Wood Gundy Inc.'s new, combined securities trading room: adventure

ROCKY ROMANCE

FINANCIAL MARRIAGES TURN SOUR

Just three years ago, Canada's Big Six banks and top investment dealers courted each other in elaborate mating rituals. The mere sight of a cluster of bankers entering a dealer's office triggered takeover rumors that reverberated among Bay Street office towers for days. Some dealers lugged flashy presentations from bank to bank, to show off their assets before the potential buyers. But, as with many infatuations, some of those once-happy couples are growing disenchanted.

With the exception of the Toronto-Dominion Bank (TD), all of the major Canadian banks used their financial muscle to buy into the securities industry after both the federal and provincial governments changed legislation in 1987 that had prohibited such financial mixed marriages. Now, some of the five bank-owned dealers are losing money, and the rest are making less than their owners had hoped. Indeed, the securities industry is in such a severe downturn that Bay Street insiders are speculating that some banks are looking for dramatic ways to reduce losses. Says Charles Baillie, executive vice-president of corporate and investment banking for the TD: "It's hard for me to imagine that they'd sell out—it would be such a quick admission of a real error. On the other hand, they are losing such a lot of money." Still, Baillie adds that it is more likely the banks will downsize the dealers rather than sell out completely.

The banks have a history of getting bruised when they venture too far from their traditional businesses—and that is exactly what happened with their securities-dealer purchases. With one exception, they bought the dealers shortly after the stock market crash in 1987, and they paid high prices—in most cases, at least twice the dealer's book value. Then, the securities industry slowed and revenues plunged. Today, insiders estimate that several dealers have lost millions of dollars. Still, the banks' misadventures in the securities industry have been less painful than their disastrous forays in lending to the Third World, which cost them billions in the 1980s.

Skimpy: Problems in the securities industry, however, have not dulled the banks' appetite for adventure. Today, they are lobbying hard to be allowed into the insurance industry. If they succeed, they will have accomplished what was almost unthinkable just a decade ago: the right to sell almost every financial product and service on the market.

The Royal Bank of Canada, which paid $385 million to buy 68.5 per cent of Dominion Securities Ltd. in December, 1987, appears to have the most successful partnership so far. The firm, renamed RBC Dominion, is Bay Street's largest dealer and consistently one of the most profitable. It earned $32 million, its second-highest profit ever, in 1989. Still, Paul Taylor, executive vice-president treasury and investment banking with the bank, says RBC Dominion will be "the poorest-performing division within the bank, even though they are the best in the industry."

Indeed, while most banks are not making the financial results of their dealers public, some observers say that the performances of the four other bank-dealer combinations range from skimpy profits to embarrassing losses.

Prickly: Like the rest of the industry, these bank-owned dealers have been slammed by a general downturn caused by high interest rates, a floundering economy and the aftershocks of the 1987 stock market crash. While the entire securities industry has been racked by layoffs since the crash—employment is down 17 per cent—insiders say that the new bank owners have not been as tough as the firms used to be when they were partnerships owned and managed by their senior employees. Says Charles Winograd, president of the independently owned Richardson Greenshields of Canada Ltd.: "I have to conclude that some of the loss numbers I hear would not have been tolerated when people were running the business on their own money." The Royal Bank's Taylor credits much of RBC Dominion's exceptional ability to make a profit even during depressed times to its tough cost cutting. Taylor says that, since the banks themselves rarely resort to massive layoffs, the cuts must be initiated by the dealers. He adds, "I don't think that the discipline can come from the bankers."

Toronto-Dominion Bank chose to build its own securities subsidiary. Its brokerage arm, Toronto Dominion Securities Inc., is small compared with the other major dealers, but Baillie says, "We didn't pay a lot to buy a dealer and we are delighted with that decision." However, Taylor insists that it is too early to pick a winner. "It's a very long footrace," he adds, "and I like our chances better."

Winograd expects that the banks' presence will change his industry. But, he says, "I don't think they're going to set out in a mechanical fashion to throw people out of business." Taylor, however, says the Royal will encourage RBC Dominion to press its advantage. Says Taylor: "If the weak can be driven to the wall, so be it."

Clearly, the prickly tension between brokers and bankers persists. Says Richardson's Winograd, summing up the securities industry's dilemma: "I spend six hours a day worrying about competition from the chartered banks and the other 18 hours thanking God I'm not working for one of them."

BRENDA DALGLISH

THE YOUNGEST CHAIRMAN

MATTHEW BARRETT FACES A TOUGH CHALLENGE

At only 45, Bank of Montreal chairman Matthew Barrett stands out among the chairmen of Canada's Big Six banks: the average age of the other five is 57. Smiling and gracious, Barrett's Irish charm also marks him as an anomaly in a world where many executives bolster their authority with a stern personal style. That charm is a quality that he will need almost as much as the mental toughness that colleagues say Barrett possesses in equal measure. After nine stormy years under autocratic former chairman William Mulholland, the Montreal's executive ranks have been badly depleted, leaving a legacy of poor employee morale. Barrett, who took over as chief executive on July 1, 1989, and as chairman in January, is pushing hard to build a new collegial corporate culture, which he says will be critical to the bank's future performance. Says Barrett: "You can't have a rotten internal climate and then expect people to be warm and friendly with customers."

Debt: Barrett, however, will need more than good intentions to transform his bank into a top performer. The Bank of Montreal is Canada's fourth largest in terms of total assets, but is the least profitable bank among the Big Six. Banking analysts say that is partly because the bank's overhead costs are too high. Its profits have also been weighed down by $3.6 billion in Third World debt—the largest portfolio of such loans of all the Big Six—which many industry analysts say will never be fully repaid.

Indeed, the Canadian Imperial Bank of Commerce faced similar circumstances in 1984, when Donald Fullerton became its chief executive. But, says Hugh Brown, a banking analyst with Toronto-based Burns Fry Ltd.: "The Bank of Montreal has been losing market share in almost every market for many years. To reverse that in a recessionary environment is going to be one heck of a challenge."

In addition to his relative youth, Barrett stands out among bank chairmen as a member of an increasingly rare breed—a senior banker who lacks a university degree. The Irish-born Barrett spent 28 years working his way up at the bank, which he joined as a clerk in its London branch when he was barely 18. Now a Canadian citizen, he and his wife, Irene Korsak, have recently purchased a three-storey stone house in the posh Toronto neighborhood of Forest Hill, where they will live with their four children, who range in age from 10 to 19.

For most of his career, Barrett says, he never in his "wildest dreams" believed he would become chairman. He acknowledges that colleagues described him in his younger days as having "burning ambition" and "lasers coming out of my eyes." But, he added, "I don't remember myself that way—I just wanted to get on by doing a good job." By 1987, he had become president and chief operating officer, and was clearly in line for the top job. Said Barrett: "I was pushed forward on the backs of others."

The Bank of Montreal's new chairman and chief executive officer is known as a quick study who can speak knowledgeably on a wide range of topics, a result of a voracious appetite for reading that ranges from business books—he has just finished reading the best-selling *Barbarians at the Gate*—to mysteries. But his passion is fly-fishing on Canada's West Coast, a sport he pursues whenever he gets the time.

According to former colleague Al Bates, who left the Bank of Montreal during Mulholland's stormy tenure and is now president for Canadian subsidiaries at Metropolitan Life of Canada, Barrett can "talk faster than anybody and has the intellect to back it up." Bates adds that Barrett has an unusual talent for long-term, visionary planning. "Matt is one of the best strategic thinkers I have ever run across," Bates says. "If anybody can turn the bank around, he can."

Pushing: Barrett is well on his way to achieving one of his first objectives—reducing the number of management levels and pushing more authority down to those front-line positions where staff deal with customers. And the response so far has been positive. Said Barrett: "I'm finding that people can't wait to do a real job, rather than writing memos to each other."

Barrett can also be encouraged by some early positive signs this year's first-quarter profits were higher than expected, the bank is finally working to put some of its Third World loans behind it, and the value of personal deposits for 1989 increased by 9.4 per cent over the previous year. Costs are also down, and Barrett says that he expects to hold them to a four-per-cent increase per year for the next three to five years by increasing the bank's efficiency. Still, Barrett is just entering the kind of battle that the Commerce's Fullerton emerged from with a stronger, more profitable bank. Barrett, Fullerton said, still faces a daunting array of challenges. Added the CIBC chairman: "I wish him luck—I hope he pulls it off."

PATRICIA CHISHOLM



BRIAN WILDE/MACLEAN'S

Barrett: mystery novels and a passion for fly-fishing

KEEPERS OF THE VAULTS

CANADA'S TOP BANKERS AVOID THE SPOTLIGHT

In a country where the word 'bank" is frequently coupled with "big" the chairmen of Canada's six largest chartered banks hold special positions of respect and power Until recently, the big domestic banks held a virtual monopoly over the banking business of consumers. As a result, the chairmen have sometimes been the targets of bitter criticism. But Canadians also value the stability and predictability of their financial system, and those qualities are well represented in the backgrounds and personal style of the bank chairmen Below, Maclean's *profiles the men who rule Canada's most powerful financial institutions.*



BERMAN / FINANCIAL POST

DONALD FULLERTON

After five years as chairman, Donald Fullerton, the austere and sophisticated head of the Canadian Imperial Bank of Commerce (CIBC), now reigns over what bank analysts say is one of the most efficiently run banks in the country That was not always the case Fullerton, now 59, stepped into the top job at a time when his bank's profits were lagging and its employees were demoralized by years of autocratic and outmoded management practices But since becoming chief executive of the CIBC in 1984, and chairman the following year, Fullerton has pulled his bank up from sixth to third place in profitability He has also decentralized the bank's bureaucracy and renovated its management style, winning praise from bank analysts and his own employees

Although he has pushed the CIBC towards the 21st century, in manner and background Fullerton is firmly rooted in the traditions of Canada's Establishment-bred corporate elite He was born in Vancouver, the son of C. G (Jim) Fullerton, a senior executive for investment dealers A. E Ames & Co and Harris and Partners The family moved to Ontario and he attended Trinity College School, a private boys school in Port Hope, Ont He later received a general BA from the University of Toronto and almost immediately joined the Canadian Bank of Commerce in Vancouver, in 1953, as a junior clerk

Despite his stern demeanor, friends say that, in private, the bespectacled Fullerton is a warm friend who is generous with his time David Lewis, a former senior vice-president at the CIBC who left in 1981 to become the chairman of the Continental Bank—which was later acquired by Lloyd's Bank of Canada—says that Fullerton remained a helpful adviser to him even after he left the CIBC Added Lewis, "When he is with his friends, there is warmth and humor in spades. He is quite capable of letting his hair down and having a good time"

As he climbed through the ranks, Fullerton says, he learned the value of hiring competent staff and letting them make their own decisions Indeed, he describes his management style as one that emphasizes delegation Said Fullerton in a recent interview with *Maclean's* "You must stand back and let people make their own mistakes and let them learn from those mistakes—although hopefully not too many." The strategy has worked Marketing employees at the CIBC have been allowed to develop aggressive sales campaigns that have helped push the average rate of increase in personal deposits up by 8 9 per cent over the past five years, well above the average industry increase of 3 4 per cent. Even though some of his peers criticize the CIBC's break with tradition, Fullerton says that he plans to continue with his policies Added the CIBC chairman: "Our competitors have been raising their eyebrows at our policies for years, but we seem to be doing just fine"

RICHARD THOMSON

One of Canada's most publicity-shy bankers, the Toronto-Dominion's Richard Thomson, 56, is also one of the most generally respected With $63.1 billion in assets, the TD ranks fifth in the Big Six, but the Winnipeg-born Thomson is widely credited with making it the country's most profitable bank during his 12 years as chairman Unlike most of his colleagues, Thomson severely limited his bank's exposure to Third World debt in the 1980s and refrained from rushing out to buy a large securities dealer in 1987

Thomson may have acquired some of his characteristic prudence from his father, Harold, who spent 55 years at the Imperial Bank of Canada, which merged with the Bank of Commerce to become the CIBC in 1961 After earning an engineering degree from the University of Toronto and an MBA from Harvard, Thomson joined the TD as a clerk in 1957, partly because his father advised him that the TD would provide him with more opportunities to be part of coming changes in the banking industry



LOU DERU

Although he is widely respected and liked by his 28,000 employees, Thomson is also shy and, with the exception of one widely publicized outburst in January, 1989 he avoids the spotlight. Indeed, his lean, six-foot, two-inch frame tends to be seen in the media only during the bank's annual meeting—and on the rare occasions when he does speak out, he often provokes comment At the TD's January, 1989, annual meeting, just days after the Canada/U S Free Trade Agreement was implemented, Thomson claimed that the Tories granted a Canadian banking licence to American Express Canada Inc in exchange for Amex chairman James Robinson's energetic support of the accord The federal cabinet approved the licence on Nov. 21, 1988, the date of the last federal election Thomson later retracted his comments, but, in private, many other bankers have subsequently agreed with his original statement

CEDRIC RITCHIE

As chairman of the Bank of Nova Scotia since 1974, Cedric Ritchie is Canada's longest-serving bank chairman and, in the view of many analysts, he epitomizes the conservative traditions of Canadian banking. A perfectionist who first made his mark at the bank as a travelling inspector of branches, Ritchie, 62, is known for his relentless attention to detail, a seven-day workweek and the rigorous demands he makes on his staff His commitment to Scotiabank is said by bank insiders to be almost total. he joined the bank in 1945 in Bath, N B , as a teller, and it has been his only employer since. Indeed, a career at the bank was one of the few attractive options open to Ritchie, whose father died when he was a boy Ritchie's mother, who ran the post office in the tiny village of Upper Kent, near Bath, lacked the financial means to send him to university. Despite the lack of a degree, Ritchie rose relatively quickly and smoothly through the bank to become chairman at the age of only 47



BERMAN / FINANCIAL POST

During his tenure, he has liberalized the Scotia's outdated hiring practices and expanded its international network, but he is also known as one of the most cautious and secretive of all the bank chairmen While other banks are decentralizing their unwieldy bureaucracies, power at Scotiabank is still heavily concentrated in Ritchie's office. He is also reluctant to speak publicly for his bank, usually delegating that task to a few trusted senior executives, such as president Gordon Bell On rare occasions, however, Ritchie, who can be an intense and argumentative speaker in private, feels compelled to speak out Increasingly impatient with the federal government's delay in passing long-awaited financial reforms, Ritchie claimed at the bank's annual meeting in January that expanded banking powers granted to such foreign non-bank competitors as Amex amounted to "national mistreatment" for Canadian banks

ALLAN TAYLOR

As chairman of Canada's largest bank, the Royal Bank of Canada, Allan Taylor can lay claim to being the country's most powerful private banker His style, however, belies the influence he wields. Gracious and approachable, Taylor's ability to put others at ease is frequently credited to his modest upbringing in Prince Albert, Sask Like Barrett and Ritchie, he rose through the ranks from clerk to head of the bank without a university degree Like them, he recognized that the bank could be a path to the top ranks of the Canadian financial elite Indeed, he passed up a university scholarship to join the bank at 16 in 1949. After 15 years in the bank's international division, he became president and chief operating officer in 1983 He was appointed chairman in 1986

Taylor, 57, is one of the few bank chairmen to comment regularly on broad economic and political issues, such as inflation, interest rates, free trade and the Meech Lake accord That willingness to speak out may be a reflection of the global perspective he acquired during his stint in the Royal's international division, in Montreal and in New York City A staunch supporter of free trade, Taylor said last month that a North American trading bloc, including Canada, the United States and Mexico, may be beneficial for Canada, even though many Canadians continue to question the value of the current agreement with the United States Said Taylor: "We in North America are the products, not the prisoners, of our geography. There are unrealized trade opportunities, there is unlimited potential, right here in the Western Hemisphere We should focus on developing it."



BERMAN / FINANCIAL POST

ANDRE BERARD

Among Canada's top bankers, National Bank of Canada chief executive officer André Bérard's job may be the toughest. Since July, 1989, when he became the head of the smallest of the Big Six and the only major bank based in Quebec, Bérard has faced turbulent times The National was hurt by the collapse of Robert Campeau's U.S retailing empire in January, and the status of a $150-million loan still owed to it by Campeau Corp. remains unresolved As well, the National's strong Quebec base (56 per cent of its assets are inside Quebec) makes it particularly vulnerable to any changes in Quebec's relationship with the rest of Canada



GORDON / FINANCIAL POST

But, at 49, Bérard appears to have plenty of time to strengthen the National He was chief operating officer for three years until last summer. Chairman Michel Bélanger, 60, has withdrawn from most of the bank's daily operations Bérard joined the bank in 1958 as a clerk, shortly after graduating from high school in Quebec Bérard told *Maclean's* that, like most of his peers, he plans to "focus more than ever on retail banking." The National is upgrading its 640 branches across Canada, 485 of which are in Quebec, and will encourage its 13,000 employees to sell bank products by offering a new compensation package that will combine salary and incentives Bérard says that the National may buy an insurance or trust company, but that it has no plans to merge with other banks

The National is also looking at more opportunities in the United States after acquiring assets worth $690 million from the troubled Bank of New England last May. Says Bérard: "In the future, it will be very important to service customers in the United States and Canada." For Bérard, perhaps more than for any other bank chief, a profitable future is likely to include a world where borders are no longer barriers to commerce

PATRICIA CHISHOLM

CATERING TO THE WEALTHY

BANKS ARE PUSHING LUXURY SERVICES

One of the last major equalizers in Canadian society is quietly disappearing. In the past, the rich queued with everyone else at their bank to cash cheques and make deposits. Bank lineups, almost as certain as death and taxes, were a great leveller. But no more. Banks and trust companies are opening private banking centres for their wealthiest customers, offering discreet and occasionally luxurious private salons instead of lineups for the first available teller. Some clients are already paying several thousand dollars a year for the special services, but bankers say that the only new aspect about private banking is the parkaging. Declares Keith Sjogren, senior vice-president of private banking at the Canadian Imperial Bank of Commerce, "The richest client in any branch has always been the one who gets the most attention."

Horses: Private banking, which Canadian banks began introducing about five years ago, is much more than fast, friendly service. It tries to attend to all the financial needs of its wealthy customers. Depending on the institution, private banking centres can provide everything from automatic utility-bill payments to tax-shelter advice to seven-figure loans to buy thoroughbred race horses. Indeed, the diversity of services matches the variety of eligible customers.



Tait: lavishing attention on wealthy Asians from Hong Kong

Private banking has become so fashionable that the six largest domestic banks, the leading trust companies and the largest foreign-owned banks are all competing for a piece of the action. Says James McDougall, Canada Trust's regional vice-president in charge of private banking: "We see this as the future for the upper tier of banking."

Just who qualifies for private banking depends on the institution. Citibank Canada, the Toronto-based subsidiary of New York City-based Citicorp, the largest bank in North America, requires its clients to have so-called wealth management needs [financial management needs] of at least $500,000. At the other end of the scale, Canada Trust will accept clients with incomes of $100,000 a year plus $250,000 in assets, excluding their homes. McDougall says that Canada Trust set relatively low minimums to attract younger clients who will become more profitable customers as they grow older—and richer.

Exotic: Bankers say that the wealthy are demanding customers, but they are also willing to pay well for good service. Added Sjogren: "The profit contribution of the affluent client is probably 10 times that of the average consumer of bank products." Fees vary widely, however, from client to client.

Unlike Canada, Europe has a long history of private banking. Swiss financial institutions were built on services that emphasized investment management and confidentiality. But, in North America, the land of rags-to-riches millionaires, private bankers concentrated on lending Canada's trust companies have been overseeing inheritances for decades. Only since the mid-1980s have Canadian financial institutions recognized the potential of providing a complete package of services tailored to the special needs of the well-off.

Those financial needs often resemble the services offered to corporate customers. Foreign-currency transactions and offshore investments for tax reasons, as well as loans to buy such exotic items as rare artworks or antique yachts, are the stock-in-trade of private bankers. Citibank Canada, for one, flies its New York-based art experts anywhere in Canada to value collections, establish credit lines for new acquisitions and even offer advice on which pieces are the best long-term investment. Says Judith Berk King, head of Citibank Canada's private banking group: "There are Canadian collectors high on the list of people we would like to do business with."

Affluent: The banks also lavish attention on wealthy Asians—particularly those in Hong Kong—who are interested in emigrating to Canada. They often provide tax, legal and immigration experts as part of a package. Said Neil Tait, senior vice-president of private and Asian banking at the Bank of Montreal: "Our private banking in Asia is a window to Canada." Tait, who studies Mandarin in his spare time, adds that the reason for the interest is simple: Canadians with Chinese backgrounds represent three per cent of the population, but they make up 10 per cent of Canada's affluent households, those with a yearly income surpassing $75,000 and whose net personal wealth is over $250,000, excluding their home. Still, the bankers claim that they are not elitist, but that their wealthy clients have been neglected or inadequately served until now.

But Consumers Association of Canada spokesman Tom Delaney says that it is more than a coincidence that private banking salons began to appear for the rich at about the same time as entrepreneurs began opening cheque-cashing outlets for the poor. While banks have finally discovered which customers they most want to keep, Delaney adds, they have also decided that there are others they do not want at all.

BRENDA DALGLISH



The brash new kid on the block

BY PETER C. NEWMAN

A brand-new bank that opens for business this fall will shatter just about every traditional commandment of Canada's banking chapel—and in the process, turn that cozy fraternity inside out.

Unlike its competing institutions, whose fiscal strength and sources of power are in the field, the new bank will not bear the overhead cost of operating even a single Canadian branch. Unlike this country's mainstream banks, which battle fiercely for each new account, this new financial institution will begin with a potential customer base of 1.5 million affluent Canadians.

Unlike any of its competitors, the new firm will be allowed to sell travel packages, market consumer magazines and in fact do just about anything that involves the exchange of money. Unlike the Big Six, which took most of a hundred years to reach their current pre-eminence, this brand-new bank will have call on assets worth $30 billion from its opening day, instantly making it Canada's seventh-largest bank.

No wonder the Amex Bank of Canada, a subsidiary of the American credit-card giant, already chartered by Ottawa and operating since July 1, 1990, is so unpopular in the banking community. For once, the Canadian bankers are right. American Express (Amex) first applied to open a Canadian bank in August, 1986, but Finance Minister Michael Wilson said that he would not rule on the application until he tabled the then-current—and still incomplete—government review of the financial service sector in Parliament. Despite that pledge, an order-in-council establishing the new bank was rushed through cabinet on Nov. 21, 1988, the day that the Tories won their second majority government. Understandably, that raised violent objections from opposition politicians as well as other bankers because James Robinson, chief executive officer of American Express Co. in New York City, had been one of the most vocal proponents of Brian Mulroney's free trade initiative. Toronto-Dominion Bank chairman Richard Thomson accused Ottawa of giving preferential treatment to Amex in return for the company's free trade support.

> *Ottawa has given American Express privileges that it declines to grant domestic banks and trust companies*

What made the government's sudden turnabout so suspicious was that the ruling on behalf of Amex broke its own guidelines, which prohibit foreign banks from being chartered here unless they have a similar status in their domestic market. While Amex in the United States owns four financial service subsidiaries with assets of $30 billion, none are subject to the U.S. Bank Holding Co. Act, which means they are not regulated by the Federal Reserve Board, the regulatory body for U.S. banks. (Those subsidiaries include the Delaware-based American Express Centurion Bank; the Minnesota-based IDS Bank & Trust Co.; the Boston Safe & Trust Co.; and the New York-based American Express Bank, which manages more than $15 billion for private customers, corporations and governments through branches in 42 countries. American Express also recently merged two Swiss subsidiaries to form the largest foreign-owned private merchant banking operation in Switzerland.)

Canadian bankers are also justifiably angry that the new bank will be able to do things in their own backyard that remain forbidden to them. "They can merchandise all kinds of goods through their credit cards, which are basically a delivery system," says Helen Sinclair, president of the Canadian Bankers Association. "They can market insurance and they can get into all sorts of tourist-related businesses, including hotel and flight bookings. These are three sets of powers now denied Canadian banks or trust companies." Sinclair is also upset with the lack of due process that led up to the bank's licensing. "There were a number of precedents set by the Amex decision and it's a fact that, in the past, there were a number of precedents that were given a public hearing. I think the intent was to give them a public hearing, but they never were," she complains. "The American Express bank here starts with a lot of unfair advantages, such as a huge customer base with none of the overheads that go with a normal banking operation, and they will have access to the Interac money-machine network without having contributed to its creation."

They will also become members of the Canadian Payments Association, the group that manages the exchange of payment instruments between Canadian banks—all this, even though they are not recognized as a bank in the United States. Predicting what American Express will do in Canada is simply a translation of what they are already doing in the United States. There, Amex and its subsidiaries had 1989 assets of $131 billion (compared with the Royal Bank's $114.6 billion for 1989) and revenues of $23 billion. The company has brilliantly exploited the marketing potential of its credit cards, using its extensive networking relationships to create more than 150 internal joint-venture projects and cross-marketing projects, such as selling accident and life insurance that is underwritten by an outside company to holders of American Express credit cards. Its planned expansion rates are dizzying: more than 30 million Americans carry their card today, and cardholders are projected to double by 1997, charging purchases worth $350 billion annually.

An analysis by the Canadian Bankers Association notes that Amex has created a massive database containing streams of customer information which "can be easily manipulated by American Express employees to determine target markets, analyse customer relationships and so forth. It is so finely tuned that, for example, it can follow up a customer's purchase of airline tickets with solicitations for luggage or insurance. It is now the United States' fifth-largest direct marketer."

American Express plans to extend its other activities here, including sales of casualty insurance, periodicals, mutual funds and real estate. Apart from the inherent unfairness of the manner of Amex's entry into the Canadian market, what's really frightening is that Canadian banks want to model themselves on the unwelcome newcomer. "The public at large," proclaims the Canadian Bankers Association, "deserves to know how and when it will have access to banking services on the same basis as Amex cardholders." In other words, the intrusion of Canadian banks into our lives is just beginning. Take your banker to lunch. Soon.



CHRISTOPHER NOWES

Cyr in his Montreal office: 'we have created more wealth than we lost'

Tough times for Ma Bell

Raymond Cyr vows to take BCE back to basics

Over the decades, Bell Canada has acquired the kind of reputation coveted by thousands of companies. Executives and consumers around the world admired the giant telephone company known familiarly as Ma Bell for being a solid corporate citizen that pursued prudent fiscal management. According to myth at least, Bell was the stock of choice for widows and orphans because putting money into the company was as safe as buying Canada Savings Bonds. As a result, when Bell Canada's corporate parent, Montreal-based BCE Inc., invested in real estate in 1985, many of the company's 310,000 investors seemed to consider it safe to buy shares in BCE's new real estate subsidiary, BCE Development Corp. (BCED). But when BCE and BCED wrote down the value of their shares, many of those investors declared that they had been betrayed. About 500 of them even formed a group, the Preferred Shareholders Protective Committee, and hired a lawyer, Eugene McBurney of Toronto, to pursue their concerns. Says committee member Maxwell Rotstein, president of the Barrie, Ont.-based Municipal Financial Corp.: "What BCE did may be legal, but it certainly isn't moral."

The man who now has the task of restoring public faith in the Canadian corporate icon is Raymond Cyr, the 56-year-old chairman, president and chief executive officer of the giant conglomerate. In his 21st-floor offices in Montreal's business district, Cyr oversees not just Bell, the nation's largest telephone utility, but Northern Telecom Ltd., one of the world's leading communications equipment manufacturers, and Bell-Northern Research Ltd., Canada's largest private research firm. He acknowledges that his company has "learned the hard way" to stick to what it knows best—and that is telephones and telecommunications. But seven years ago, Cyr's predecessor, Jean de Grandpré, launched the telephone monopoly into a series of forays into oil and gas, real estate and printing. Now, just as Cyr is struggling to disentangle BCE from many of those ventures, it faces a bold new threat to its hugely profitable telephone business. In May, Unitel Communications Inc., an alliance of Canadian Pacific Ltd. and Rogers Communications Inc., unveiled a plan to end Bell's long-distance telephone monopoly. But in a recent interview with *Maclean's*, Cyr said of the challenge, "A handful of large companies will benefit and everybody else will pay for that."

Even though it is under siege on several fronts, BCE retains a formidable empire. Its 1989 revenues of $17 billion were the highest of any corporation in Canada. It is also the nation's largest private employer, with more than 120,000 employees across Canada. Its stock remains the most widely held in the country. But despite Cyr's attempt to refocus BCE since he became president in January, 1987, the firm has suffered a series of major setbacks in recent months. This past January, BCE wrote down the value of its 67-per-cent stake in its controversial real estate subsidiary by $440 million. Then, in April, Kinburn Technology Corp., an Ottawa-based high-technology firm, defaulted on $831 million in loans, including about $420 million to BCE.

Last week, BCE closed a deal to reduce its 48.9-per-cent stake in money-losing Encor Inc., a Calgary-based oil and natural gas producer, to less than one per cent. After searching unsuccessfully for almost a year to find a single buyer, BCE sold its Encor shares and warrants to a syndicate of brokerage firms.

For his part, Cyr, the plainspoken son of a Montreal trucker who graduated as an engineer from the University of Montreal in 1958, carefully avoids criticizing de Grandpré's ambitious diversification strategy. Despite the near-collapse of BCED and the other losses, Cyr—who joined Bell in 1958—says that BCE is still in a very strong financial position. "Going back to 1983, we have created more wealth than we have actually lost," he says. Even after the $440-million BCED write-down, the parent company earned a profit of $761 million in 1989. That allowed BCE to continue its policy of paying dividends of $2.49 per share—the stock closed at just over $38—which is one of the main reasons it is such a popular holding for both small and large investors. However, Bell Canada's core business and that of its telephone affiliates generated close to three-quarters of BCE's profit.

Since 1906, governments have regulated the activities of Bell Canada, which was formed in 1880. While allowing Bell a monopoly in certain areas, federal regulatory bodies also allowed Bell a specified range on its rate of return but required that Bell put some of its profits back into the company to reduce basic phone rates. In 1983, however, de Grandpré restructured the company. He created the holding company BCE, which took Bell Canada under its wings as a wholly owned subsidiary. At the same time, he turned other businesses such as Northern Telecom into separate BCE subsidiaries. That left only Bell Canada under regulatory control and freed the others to make whatever profit—or loss—the market allowed.

Under de Grandpré, BCE then began buying everything from a 42.3-per-cent stake (now 48.9 per cent) in TransCanada PipeLines Ltd. (TCPL), the largest Canadian pipeline company, to printing and publishing companies. In total, BCE's assets swelled to $39.3 billion in 1989 from $14.8 billion in 1983.

In 1985, however, BCE invested in what would become its biggest failure. After being wooed by Jack Poole, a Vancouver real estate developer with a strong appetite for risk, BCE acquired 68 per cent of Poole's Vancouver-based Daon Development Corp. for $162 million and renamed it BCE Development.

By the fall of 1988, however, BCED was losing millions of dollars each month on its partially empty office towers in such depressed U.S. real estate markets as Phoenix, Ariz., Denver and Minneapolis. At that point, Cyr decided that BCE should get out of real estate. In August, 1989, he engineered BCED's sale for about $557 million to Olympia & York Developments Ltd., the massive holding company owned by Toronto's billionaire Reichmann family. But the deal fell through when only 87 per cent of the shares were tendered, instead of the minimum 90 per cent required by the Reichmann bid. Even though BCE and many institutional investors tendered their stock, thousands of small investors refused the $2.80-a-share offer. At the end of last week, the shares in the developer traded at 29 cents.

After the Reichmanns' deal collapsed, BCED's fortunes deteriorated dramatically. Last October, BCE reached a management deal with Carena Developments Ltd., the real estate arm of Peter and Edward Bronfman's sprawling Toronto-based financial empire. After BCED also wrote down its assets by $610 million, Carena and BCE transferred the remaining assets to a BCED subsidiary, now Brookfield Development Corp. They then each injected $250 million into Brookfield to complete unfinished construction projects.

Still, analysts such as John Drolet, formerly with Toronto-based Loewen Ondaatje McCutcheon Inc., says that while BCED certainly caused its parent huge problems, they were not big enough "to risk the integrity of the whole organization." But some vocal BCED shareholders say that that argument simply is not good enough. Says lawyer McBurney for the group of 500 dissident shareholders: "Over 90 per cent of them are elderly or widows. They are very annoyed."



PETER BREGG/MACLEAN'S

BCE Place in Toronto: one of the few gems

The shareholders are angry that while money-losing assets such as the U.S. properties remain on BCED's book, one of the few gems, the BCE Place development in downtown Toronto, is now held by Brookfield. As well, McBurney says that the shareholders are angry because they thought the parent BCE provided a safety net for their investment. "By changing the name from Daon to BCED," McBurney adds, "they put the BCE imprimatur on it."

For his part, Cyr puts up a vigorous defence. "If anybody investing in a real estate company thought they were buying a BCE share," he says, "then I can't say anything—they should have bought a BCE share."

Cyr had barely resolved the BCED situation when Kinburn defaulted on its loan. Although BCE took possession of the voting rights of more than five million shares of SHL Systemhouse Inc., one of Kinburn's subsidiaries that it had put up in part for collateral, it will take months to resolve that situation. As for the Encor sale, Cyr says that divesting those assets is part of BCE's plan to concentrate on what it knows best. But Cyr says that BCE will likely continue to maintain its TCPL interest because the pipeline, like Bell Canada, is a regulated utility. Financial services also fit in with BCE's core business, he says, because BCE has always been "a big financial player." In April, 1989, BCE bought Montreal Trustco Inc., the country's fifth-largest trust company, from Montreal-based Power Corp. for $877 million.

Still, as BCE strives to return to its roots, it also has to protect itself from the Unitel threat. In May, Unitel applied to the CRTC to set up a competing long-distance service. While the CRTC rejected a similar bid in 1985 from CNCP Telecommunications, as Unitel was then called, this time it has ordered Bell and five other telephone companies to answer 49 out of 53 questions that Unitel had submitted regarding their operations and costs. Unitel claims that competition will reduce long-distance rates with no increase in local rates, which Bell now subsidizes with its long-distance profits. In the United States, where long-distance service was opened to competition in 1984, there are 466 long-distance companies, and the average five-minute phone call from Buffalo to Seattle costs $1.45. In Canada, a similar call from Toronto to Vancouver costs $2.85.

BCE flatly rejects Unitel's claims. Says Cyr, "Anybody who says the local rates are not going to go up, they've got be out of their mind. Somebody's going to pay—and I can tell you it's not going to be Bell. It's going to be the users." He adds: "We have built a telephone system which, for 100 years, has subsidized the farmers, has subsidized the rural user, has subsidized the local user, from the toll rates. I can tell you now that if we hadn't had that, there wouldn't be a telephone in every household." Clearly, Ma Bell is up for yet another fight.

BARBARA WICKENS *in Montreal*



PETER BREGG/MACLEAN'S

Hahn: helping bankruptcy clients by 'driving the ambulance, not the hearse'

Signals of a downturn

Concern is increasing as bankruptcies rise

Business is booming for Murray Hahn—and that makes him worry. He is a 66-year-old Toronto accountant who specializes in bankruptcy and its alternatives. Hahn, who says he prefers to "drive the ambulance, not the hearse," would rather help his clients work out debt-repayment agreements with their creditors than declare bankruptcy and walk away from their debts. Currently, however, his job is getting tougher as national bankruptcy rates soar to levels higher than those during 1982. Still, he says that he does not like to talk about present economic problems. Added Hahn, "The more people talk about a recession, the more it becomes a self-fulfilling prophecy."

On the other hand, Finance Minister Michael Wilson, who—along with Bank of Canada governor John Crow—is responsible for the anti-inflation policy that has pushed short-term interest rates up five percentage points higher than those in the United States, is clearly trying to slow the economy. He has repeatedly warned—including in an interview with *Maclean's* last week—that Canadian interest rates cannot fall until business and personal borrowing decreases and wage settlements cool. That is unwelcome news for borrowers and for industries, such as manufacturing and retailing, which have been hardest hit by soaring interest costs. Many of them say that, as far as they are concerned, a recession is already well under way and they point to a string of recent economic statistics to make their case.

Despite Wilson's comments, however, the bank rate, which is set by the Bank of Canada and which influences short-term interest rates, has fallen about one-third of a percentage point to 13.59 per cent in the past month, against the backdrop of a strong Canadian dollar and a slight easing in U.S. interest rates. That drop has not been large enough to change the banks' prime lending rate of 14.75 per cent. For their part, financial experts predict that there will be little interest-rate relief for some time. Says Patti Croft, an economist with Toronto-based investment dealer Burns Fry Ltd.: "We believe that the Bank of Canada cannot lower rates substantially in the next six to nine months because of the round of wage settlements coming up and the uncertainty associated with the introduction of the GST at the beginning of next year."

High interest rates help lenders, including those retired people who live off the interest from their savings, and businesses, such as the growing service sector, which do not rely heavily on debt. For most, the high rates are painful and tend to slow economic growth. The latest national economic statistics quantify the suffering. Retail sales fell 1.4 per cent in April and one per cent in May as layoffs took their toll and consumers became more cautious. Mortgage rates, which are hovering around 14 per cent, have sharply depressed the real estate industry in some regions. Sales of existing houses fell almost 19 per cent to 89,962 units in the first six months of 1990, compared with 110,532 in the first half of 1989. Sales in June dropped 30 per cent, the biggest drop since mid-1982. Business and personal bankruptcies increased by 30 per cent to 23,651 in the first six months, compared with 18,138 in the same period of 1989, with the retail and manufacturing sectors being hardest hit.

There were some positive elements in last week's statistics. Canada had a merchandise trade surplus—exporting more goods than it imported—of about $1 billion in May, even though the Canadian dollar was near a 10-year high, which makes exports more expensive and imports cheaper. Still, experts say that the trade numbers fluctuate wildly and are frequently revised, so no absolute trend can be identified. Best of all was the Consumer Price Index (CPI) for June, which dropped for the fourth consecutive month and shows that the government is winning the fight against inflation. It edged down to an annual rate of 4.3 per cent from 4.4 per cent in May, and 5.0 per cent in 1989.

Despite the lower inflation rate, officials in Ottawa say that they are still concerned that the outcome of labor negotiations in such critical sectors as the auto and steel industries could drive prices up again. Wilson adds that there are some early signs that wage settlements, particularly in the public sector, are cooling. Said Wilson: "The provincial governments now are starting to realize that what we have been preaching over the last year and a half is correct."

Economists are generally predicting nothing worse than a mild recession, but that is little help to the industries suffering the most from high interest rates today. John Bulloch, president of the Toronto-based Canadian Federation of Independent Business, says that the next few months are going to take a heavy toll among small and medium-sized businesses. Says Bulloch: "The Bank of Canada has a lot of nasty work to do."

The finance minister gives no indication that he is concerned by the growing fears of recession. Indeed, Wilson says that "the economy is growing faster than the pessimists are projecting." He adds: "We have a tendency in this country to overplay the negative and underestimate the positive. I wish this country would get into the position of being overconfident, rather than underconfident. We might achieve more as a country." That may be correct, but it is cold comfort to the 3,286 individuals and 823 businesses that declared bankruptcy in June.

BRENDA DALGLISH *with* *MICHAEL HARRISON in Toronto*

A coy new couple

She rose to stardom after charming audiences as a young bride in *Steel Magnolias* and as a hooker-with-a-heart-of-gold in *Pretty Woman*. **Julia Roberts** is Hollywood's new favorite. She is also the favorite of Canadian actor **Kiefer Sutherland**, her co-star in *Flatliners*, to be released next month, about medical students experimenting with dying and returning to life. Sutherland gave Roberts a diamond ring while they were dining at a drive-in burger restaurant in Los Angeles recently. Said the son of **Donald Sutherland**: "I'd been holding on to it waiting for the right place." But neither Sutherland, 23, who has a daughter from his first marriage, nor Roberts, 22, who has never married, will say that they are engaged. Declared Sutherland: "I just gave it to her."



SOUTHAM ONYX

Roberts: a ring in the right place



WYMAN/SYGMA

Kennedy: 'the most inspiring teacher'

Mother of the century

As matriarch of the Kennedy dynasty, **Rose Kennedy** has experienced glory and tragedy. On July 22, the mother of nine, including assassinated sons **John** and **Robert**, turned 100. To celebrate, about 350 people, among them 28 grandchildren and 22 great-grandchildren, gathered at her Hyannisport, Mass., home. Said her son **Edward**: "Rose is the most inspiring teacher and wonderful mother that any child could have. She's the anchor of our family."

A POET'S NOVEL IDEA

Poet Al Purdy has published 33 books and won two Governor General's Awards. Now, he plans to publish his first novel, *A Splinter in the Heart*. It takes place in 1918 in his home town, Trenton, Ont., and deals with a real-life explosion in a munitions factory that killed 22 people. Said Purdy, 71: "The hero isn't me, but there are incidents from my life." He is now writing a "chunk of autobiography" for *Books in Canada*. "You can't say anything nasty that will get you sued," Purdy added, "but in the novel I don't make anyone look bad, so I'm OK."

Out of nowhere

Nashville-based country star **Clint Black**, 28, seems like an overnight success. His debut album, *Killin' Time*, has sold 1.6 million copies, and for 14 weeks it has appeared on the list of Top 10 country albums. But the Houston native said that it took him six years of playing in local clubs at night and working on construction during the day to get there. Added Black, who won the 1989 Country Music Association's award for most promising newcomer: "I was singing four to seven hours a night in the clubs and getting nowhere. I knew I would be hurting my vocal cords if I went on much longer."



DK/OUTLINE

Black: construction jobs

The good, the bad and the golf ball

After a lifetime in show business, Mickey Rooney, 69, says that working in Langley, B.C., on the YTV series *The Adventures of the Black Stallion* "has been the finest experience I've had in motion pictures and TV." Rooney acknowledged that he has been in some bottom-drawer movies, including *How to Stuff a Wild Bikini* (1965) and *The Magic of Lassie* (1978). Now, he is in British Columbia for three months replaying his 1979 Oscar-nominated role as the horse trainer in *The Black Stallion*. Said Rooney: "I've always loved Canada. In 1937, I was golfing in Banff and three bears came out of the woods and grabbed my ball." However, the actor said that nothing so dramatic has occurred on the Vancouver Country Club course. But he added: "It's lovely being here. And after being in so many lousy shows, it's great to be *in* a good one."



BARR/SHOOTING STAR

Rooney: fine experience

JUSTICE

The fall of a titan

Pete Rose faces five months in jail

Rarely are there headlines about baseball that overshadow the on-field theatrics of the Boys of Summer. But, last week, the final humiliation of a hero and the growing problems of one of the game's popular villains diverted the attention of fans, at least momentarily, from the sport itself. In a crowded Cincinnati courtroom, U S district court Judge Arthur Spiegel sentenced major-league all-time hit leader Pete Rose to five months in prison for income tax evasion. And in New York City, baseball commissioner Fay Vincent deliberated in seclusion over whether Yankees owner George Steinbrenner should be disciplined for paying gambler Howard Spira $40,000 (U S.).

Both cases grew out of investigations by the commissioner's office. In New York, where the once-powerful Yankees have been in last place in the American League's East division since late May, the commissioner's investigation of the high-handed Steinbrenner has provided a lightning rod for the frustration of New Yorkers, some of major-league baseball's most unforgiving fans. But in Cincinnati, where Rose's hitting skill helped the National League Reds become a powerhouse team in the 1970s, the predominant attitude appeared to be hurt acceptance. Said 83-year-old Melvin Aicholz, "He's a liar and he really did a great disservice to his fans."

The final inning arrived for Rose on Thursday, when he showed up in court limping from a knee injury suffered during a ball game at a family reunion the previous weekend. While his wife, Carol, sat behind him, the 49-year-old former manager of the Reds, who had 4,256 hits during his playing career, told Spiegel, "Your honor, I'm very shameful to be here today before you." The worst part, said Rose, was that "my wife will have to tell my five-year-old son that 'your daddy is a jailbird.' "



Rose (left) with federal marshal: a living legend convicted of cheating on taxes

Rose, whose playing style earned him the nickname Charlie Hustle, conviction brought an immediate penalty with the prospect of another, perhaps more demoralizing one. In addition to handing down the five-month jail sentence for failing to report income of $354,968 (U S.) from memorabilia sales, autograph appearances and gambling earnings between 1984 and 1987, Spiegel also fined Rose $50,000 (U S.), and ordered him to spend three months in a halfway house after his release and to perform 1,000 hours of community service among inner-city Cincinnati youngsters. Rose reached a settlement in April with the Internal Revenue Service under which he paid $366,042 (U.S.). But the conviction, and his lifetime banishment from baseball last Aug. 23 for gambling, may bar Rose from the Hall of Fame, baseball's highest honor. No major-league player who served time for a felony has ever received the accolade.

After surgery for the knee injury, Rose will report to a federal prison camp in Ashland, Ky., on Aug. 10 to begin serving his sentence. His future, when he is released in January, is unclear. He is eligible to apply next month for reinstatement in the game, but he has said that he will not. Vincent said in an interview that public interest in the case appeared to be diminishing. Said the commissioner: "I think most people feel baseball did what it had to do, and life goes on."

But, in the Steinbrenner affair, interest was growing rapidly. The commissioner's office released the transcript of hearings on July 5 and 6 in which the Yankees owner provided conflicting explanations for why last January he gave $40,000 (U S.) to Spira, who was charged with extortion three months ago because of a complaint filed by Steinbrenner. Originally, Steinbrenner said that he gave Spira the money to help him make a fresh start in life.

At the hearings, Steinbrenner gave another explanation. First, he said that he gave Spira the money to prevent him from divulging information about the gambling habits of former Yankee manager Lou Piniella and about two former Yankee executives who were forced to resign when, Steinbrenner alleged, they sold promotional merchandise left over from Yankee home games and kept the money. He also offered a third reason: he and his children were "scared stiff" of Spira. Responded commissioner Vincent: "You might have called me. If I were in your shoes and I was worried about my family, I God damned well would have gotten some law-enforcement people aware of the threat."

Piniella, Rose's successor at the helm of the Reds, angrily dismissed the suggestion of impropriety and said that he had never bet more than $25 to $50 (U S.) during occasional visits to a race track. Said Piniella: "I am disturbed by this, I really am." He added: "[Steinbrenner] is always talking about how much he likes me and likes my family. This sort of raises some doubts, believe me." Vincent swiftly exonerated the Reds manager. Said the commissioner: "I am satisfied that Lou Piniella did not engage in any activity warranting further attention from my office."

At week's end, Vincent had retired to his summer home in Cape Cod, Mass., to weigh the testimony and decide whether the payment to Spira was in conflict with "the best interests of baseball"—the standard against which controversial behavior in the game has traditionally been measured. Steinbrenner could be cleared—or he could be banished from the game and forced to sell the Yankees. As Yankee great Yogi Berra said, "It ain't over till it's over." But New York ball fans seemed to feel that Steinbrenner's career was just as much "over" as Pete Rose's day in court.

RAE CORELLI *with correspondents' reports*

RELIGION

Updating the Bible

Scholars bring the Bible into the late 20th century

Too many people, the phrase "One does not live by bread alone" probably sounds familiar—but not quite right. But that is Jesus's response when Satan challenges him to transform stones into bread, in Chapter 4, verse 4 of Matthew in a new edition of the Bible to be released this fall. In the King James version, which dates from 1611, Jesus says that "Man shall not live by bread alone," while in the *Revised Standard Version*, which was first published in 1952, Jesus says, "Man does not live by bread alone." The latest rendering of the sentence, which removes any suggestion of sexism, is the result of revisions by a committee of 30 scholars and clergy who spent 16½ years correcting ancient and modern transcription errors in the *Revised Standard Version*. The result is the *New Revised Standard Version*, which will officially be published on Sept. 30.

In their drive for accuracy, the translators, led by Rev. Bruce Metzger, a professor of New Testament language and literature at the Princeton Theological Seminary at Princeton, N.J., have also restored ambiguities that date back to the earliest biblical manuscripts. In Chapter 2 of the Gospel of John, Jesus is shocked when he finds money changers and vendors selling oxen, sheep and birds in the Temple of Jerusalem. The *Revised Standard Version* says that Jesus "drove them all, with the sheep and oxen, out of the temple." But Walter Harrelson, a professor of theology at Vanderbilt University in Nashville, Tenn., who worked on the new edition, said that the original text does not make clear whether Jesus actually drove the money changers from the temple. As a result, the *New Revised Standard Version* simply says that Jesus "drove all of them out of the temple, both the sheep and the cattle." Said Harrelson: "We are letting the text stay unclear."

The new version of the Bible is partly intended to make it sound more in tune with modern times. As a result, archaic pronouns such as "thee" and "thou" have been completely replaced by ordinary words like "you," and "behold" has given way to "look" and "see." As well, where any phrase in the original Hebrew, Aramaic or Greek did not specify gender, the new edition uses a neutral term, such as "one" or "people." The editors have also altered some words that have slang connotations in contemporary usage. The results, at times, seem clumsy. In the *Revised Standard Version*,

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RELIGION

the apostle Paul remarks in the second Epistle to the Corinthians (11:25) that "once, I was stoned." To avoid any suggestion that Paul was intoxicated, the new edition renders that as "Once, I received a stoning."

For more than three centuries, the King James version of the Bible was the principal translation used by Christians in the English-speaking world. The work of 54 17th-century English churchmen and scholars, the King James version is still considered by critics to be the most elegant of English-language Bibles. But critics have long argued that the King James Bible's archaic language often distorts scriptural meaning. As a result, a committee of North American Protestant scholars produced the *Revised Standard Version*, which has now supplanted the King James version as the principal Bible used by many North American Protestant denominations. Since it was first published 38 years ago, more than 50 million copies of the *Revised Standard Version* have sold around the world.

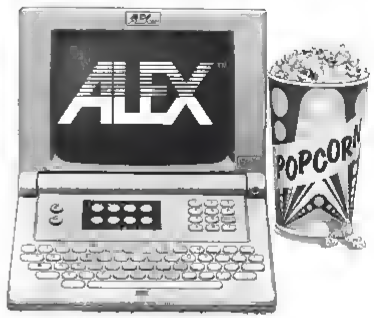
Harry Orlinsky, a professor of Bible at Hebrew Union College-Jewish Institute of Religion in New York City, who worked on both the 1952 and 1990 editions, said that the new Bible corrects errors that had been perpetuated since Jewish scholars in Alexandria, Egypt, first translated Hebrew scriptures in about 200 BC. Because the Alexandrian Jews had lost their knowledge of ancient Hebrew, Orlinsky said, they wanted to translate their scriptures into the local vernacular, Greek. In doing so, he added, they used a literal, word-for-word process. "The Hebrew word *ish* was usually translated as 'man' when it could also mean 'person,'" said Orlinsky. "*Ben* was translated as 'son' when it could mean 'child,' and *avot* was translated as 'fathers' when it could also mean 'parents' or 'ancestors.'" For that reason, Orlinsky said, the committee was "particularly attentive to those passages in which women had been excluded by translators without the text justifying that exclusion."

So far, church officials have reacted favorably to the new version of the Bible. Declared Rev. John Hill of Toronto's Church of St. Augustine of Canterbury, who was not involved in the new version: "It is one of the most conservative, careful translations available for people who want to be closely in touch with the original text but can't read the original language."

Although the committee members came from diverse theological backgrounds, Harrelson says they were usually able to reach a consensus. "We had people fighting hard for their views," he said. "We struggled hard to make the text both literary and accurate." This fall, a total of six publishing companies, including Cambridge University Press and Oxford University Press, are issuing editions of the new Bible aimed at the various Christian denominations. As was the case with the original *Revised Standard Version*, acceptance of the Bible will reflect the degree to which Christians are ready to embrace accuracy over tradition.

ERICA SIMMONS

Alex, the movie critic.



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Calf-roping at the Manitoba rodeo (above); Winston: people are 'just unaware'

LAW

A burdensome battle

Activists claim that animals are abused

Each July, about 45,000 people visit the town of Morris, Man., 100 km south of Winnipeg, for the annual Manitoba Stampede. For five days, the crowds watch cowboys from Canada and the United States compete for more than $100,000 worth of prizes in bull-riding, steer-wrestling, calf-roping, bareback-bronc-riding and chuckwagon events. Peter Murphy, president of the 250-member Manitoba Rodeo Cowboys Association, defends the stampede, which ended on July 22, as part of Western Canada's heritage. But to a small band of protesters, the event represents the exploitation of animals for entertainment and profit. "Every event puts the animals in danger," said William Zaretski, one of the organizers of the Manitoba Animal Rights Coalition, which last week passed out leaflets in Winnipeg and Morris encouraging people to boycott the rodeo. Indeed, at the Calgary Stampede, which ended July 16, humane society officials reported that four animals died. "In an ideal world, there'd be no such events," said Calgary Humane Society president Robert Busch. "But until society changes, we have to face reality and do the best we can for the animals."



Increasingly, groups of animal rights advocates in the United States and Europe, and to a lesser extent in Canada, are taking steps to prevent the use of animals for food or clothing, for entertainment or research purposes. The movement is divided into two wings, with animal rights protesters, who disapprove of their use for any reason, sometimes adopting violent methods. In June, British police said that they suspected animal rights activists were behind the firebombing of a wholesale meat plant in Southampton. Earlier this month, Canadian singer k. d. lang set off a furor in her native Alberta by proclaiming, in a television advertisement paid for by a U.S. animal rights group, that "meat stinks." Members of the less extreme animal welfare movement say that they are fighting for the humane treatment of beasts through every stage of their use. Declared Iris Winston, executive director of the Nepean, Ont.-based Canadian Federation of Humane Societies, an umbrella group: "We accept the use of animals—but we cannot accept their misuse."

Ever since the movement first gained prominence in the mid-1980s, animal rights supporters have brought some changes to the way animals are treated. According to activist spokesmen, several major cosmetics firms in recent years have followed the example of the London-based firm Body Shop PLC and stopped testing their products on animals. As well, an international campaign against the trapping of fur-bearing animals has dealt a heavy blow to the fur trade in Canada and some European countries. During the 1987-1988 season, Canadian trappers and fur ranchers sold only $123 million worth of pelts, a 20-per-cent decline from $148 million a year earlier.

Activists have been less successful in another area that they have targeted for reform—the use of animals in medical and scientific research. According to the Canadian Council on Animal Care in Ottawa, in Canada alone scientists use an estimated two million animals each year in all research or drug trials (more than 60 per cent of those used are rats, mice and fish). For their part, members of animal welfare groups say that they accept some use of animals in scientific and medical research. But Winston said that the goal of her organization is to restrict the use of animals to tests that do not cause physical or mental pain.

In recent months, some animal welfare groups have begun to campaign against the capturing of beluga whales for use in public aquariums. In Vancouver, officials of a 2,000-member animal rights group called Lifeforce said that they would physically intervene in attempts by the city's aquarium to capture three beluga whales this summer in Hudson Bay. The aquarium has to first obtain approval from the federal department of fisheries and oceans. Said Lifeforce director Peter Hamilton: "We don't believe that you can provide for the social and behavioral needs of marine mammals in captivity."

In April, U.S. environmentalists won a victory in defence of another seagoing species when three major seafood canning firms announced that in the future they would only buy tuna from fishermen who used methods that did not inadvertently catch and drown dolphins. Many animal rights advocates say that such changes are signs of a shift in public attitudes. Added Winston: "Most people are not cruel, just unaware" of the practices that animal rights and animal welfare crusaders say exist.

NORA UNDERWOOD *with* **HAL QUINN** *in Vancouver and* **MAUREEN BROSNAHAH** *in Winnipeg*

COMMUNICATIONS

Cellular storm

A scandal draws attention to mobile telephones

Many of the estimated 483,000 Canadians who now use mobile cellular telephones consider that their conversations are private. But as Stuart (Bud) Smith, who resigned as British Columbia's attorney general on July 12, was forcibly reminded, communications over mobile telephones can easily be intercepted. Smith resigned after an opposition member of the B.C. legislature tabled a transcript of taped conversations over Smith's car telephone in which the minister made potentially politically damaging remarks to one of his senior officials. The resulting political scandal rocked Premier William Vander Zalm's Social Credit government. It also implicated a female television reporter who, as other taped conversations leaked by an unknown source demonstrated, had a close personal relationship with Smith. The controversy raised issues about the legality of intercepting conversations over car telephones—and about the role of reporters who become participants in the news events they are covering.

The political storm broke after Munmohan Sihota, the NDP's justice critic in the legislature, tabled transcripts of taped conversations. In them, Smith appeared to be trying to persuade Margot Sinclair, a reporter for Vancouver's CKVU TV, to discredit Victoria lawyer Peter Firestone. Firestone had been hired by Sihota to prosecute former B.C. tourism minister William Reid in a breach-of-trust case in which Smith's office never laid charges. Publication of the transcripts led to an RCMP investigation into possible obstruction of justice by Smith, and last week Sinclair resigned, claiming that she had been misquoted by other journalists and that her "civil rights and privacy have been violated."





SMITH/TIMES COLONIST

Smith (above); Sinclair: criticism of a close relationship

The whole issue drew attention to the legal uncertainty surrounding the interception of communications over mobile telephones. Unlike ordinary telephones, which are linked by lines, mobile or cellular models transmit radio signals that special receivers, known as scanners, can pluck from the public airwaves. According to Vancouver news reports, Smith's telephone calls were intercepted during a nine-month period by Brian Graves, a Victoria freelance journalist. (Graves declined to talk to reporters last week.) Radio experts said that Smith's calls were easy to track because the politician used an older type of mobile telephone that stays tuned to a single frequency for an entire call. Cellular telephones, introduced in Canada five years ago, are more difficult to monitor because the frequency changes as a caller moves from one transmission site to another. As an added security measure, B.C. Cellular announced last week that it would offer clients a scrambling device in August to thwart potential eavesdroppers. The service, known as Privacy Plus, will cost $89.95 a month and be offered nationwide through CellNet Canada.

RCMP officials said that they would investigate "the circumstances surrounding the interception" of Smith's telephone conversations. The 1989 federal Radiocommunications Act does not make it an offence to intercept private radio signals. But it outlaws the unauthorized use or divulgence of information monitored from any radio communications other than broadcasting. At the same time, the Criminal Code specifically prohibits the interception of oral conversation or telecommunications where the caller has a "reasonable expectation" of privacy. That could mean that the interception of Smith's calls was illegal only if the former minister was not aware that his calls were being broadcast over public airwaves. Said Adrian Brooks, a Victoria lawyer who said that he had been hired to represent Graves: "We're in a completely grey area where the technology has moved faster than the law."

A different set of issues arose from the roles played by the journalists who figured prominently in the affair. Tapes of Smith's conversations were left with Deborah Pelletier, a Victoria-based reporter for the Broadcast News service, a subsidiary of The Canadian Press. After a lawyer advised CP against use of the tapes, an anonymous telephone caller advised Sihota to go to Pelletier's office in the legislature's press gallery. The caller said that Sihota would find a brown envelope that was addressed to him. The envelope contained tapes of Smith's car-telephone conversations.

The apparently close relationship between Smith and TV reporter Sinclair also came under criticism. On the tapes, Sinclair advised the 44-year-old Smith on political issues. Said Michael Cobden, director of the school of journalism at the University of King's College in Halifax: "We want a detached reporter who has inside information, but you can't have it both ways. Politics is a club. If we're not members of the club or friends with someone who is, we won't know what's going on." In the welter of recriminations set in motion by Sihota's revelations, the tangled affair seemed to be one that brought credit to few of the participants.

DIANE BRADY *with* *HAL QUINN in Vancouver*



Bedelia (left), Ford: political rivalries, personal secrets and a gruesome murder

FILMS

Crimes of the heart

A courtroom drama raises troubling issues

PRESUMED INNOCENT
Directed by Alan J. Pakula

A good courtroom thriller operates on two levels. On the one hand, it is an invitation to play by the rules: to listen to testimony from various witnesses and to carefully reflect on the arguments of the lawyers. At the same time, it is an enticement to cheat: to eavesdrop on bedroom confidences or brief, off-the-record conversations in the prosecutor's limousine. Such extrajudicial evidence can be deceiving—all of the clues are there, but so, too, are all of the red herrings. *Presumed Innocent* is brimming with both. Right from the movie's opening scene, in which deputy prosecuting attorney Rusty Sabich (Harrison Ford) says that it is critical to "determine what *really* happened," *Presumed Innocent* offers only a very few certainties—among them, that truth is elusive, that innocence is relative and that, in a really good courtroom thriller, it is best to presume nothing.

Chicago lawyer Scott Turow's 1987 best-selling novel, *Presumed Innocent*, seems in many ways a natural for the big screen. The book presents not only a stunningly executed plot, but also a colorful ensemble of memorable, multilayered characters. And in the hands of director Alan J. Pakula (*All the President's Men*, *Sophie's Choice*) and a fine cast that also includes Greta Scacchi, Bonnie Bedelia and Brian Dennehy, those characters come fully to life. The result is a movie that, true to Turow's novel, succeeds at evoking both the gritty world of criminal law and the darker regions of the human heart.

After Sabich's solemn opening monologue, the story moves to the busy offices of Raymond Horgan (Dennehy), chief prosecuting attorney for fictional Kindle County. Horgan is distressed about the murder the previous evening of the beautiful, gifted lawyer Carolyn Polhemus (Scacchi), who had been a prominent member of his staff. Already, photographs of the body are making their way around the office, and they provide graphic evidence of a gruesome crime. The perpetrator had struck Polhemus on the head with a sharp, heavy object—and then bound her legs, arms and neck in such a way that intercourse, which appears to have occurred, may have caused her strangulation.

Horgan is concerned that the murder will mar his campaign for re-election. It is only two weeks until election day, and Horgan's chief political rival, Nico Della Guardia (Tom Mardirosian), has already begun to portray Polhemus's death as an example of the chief prosecutor's inability to fight crime. Determined to find the murderer quickly, Horgan assigns his right-hand man, Sabich, to the case. Successful, handsome, the husband of a beautiful academic (Bedelia), and devoted father to his son, Nat (Jesse Bradford), Sabich appears for all the world to be the white knight who can solve the case. But there is doubt about whether he really wants to. Sabich, it turns out, had his own reasons for getting rid of Polhemus. Only a few weeks before, the voluptuous blond attorney had abruptly ended a steamy affair with him, leaving the formerly self-assured Sabich broken and bitter.

But it soon becomes clear that other characters besides Sabich are harboring secrets. His investigation of Polhemus's murder soon reveals that she, too, had several things to hide. Sabich was not her only office fling. And shortly before her death, she had begun working secretly on a convoluted bribery case involving Horgan and Della Guardia's right-hand man, a lawyer named Tommy Molto (Joe Grifasi), as well as Polhemus herself. Meanwhile, the movie skips back to Sabich's romance with Polhemus, revealing a woman who may have been sexually aroused by defending a young boy tortured with a vise grip.

Sabich has only begun to piece together the clues when Della Guardia charges him with the murder. The subsequent courtroom scenes are often electric, as high drama competes with the laughable ineptitude of prosecutors Della Guardia and Molto, and the wry observations of the presiding judge, Larren Lyttle, engagingly played by Paul Winfield. Raul Julia, meanwhile, brings an almost stately air to the proceedings with his muted portrayal of Sabich's brilliant lawyer, Sandy Stern. Meticulous in his preparation of Sabich's defence, Stern is willing to subvert the proceedings if it will promote his client's cause. But it is Ford's compelling portrayal of the embattled Sabich that provides the movie's focal point. Inscrutable but oddly vulnerable, the character remains likable and sympathetic even as his innocence comes into question.

But the movie is most powerful in its final minutes, when it leaves those gripping courtroom scenes behind and examines questions of guilt and innocence, love and rage, revenge and retribution—and the impotence of the legal system to apprehend the dark logic of emotions. Not content simply to solve the mystery at hand, *Presumed Innocent* explores the deeper secrets of the human soul, and it does so with style and intelligence.

VICTOR DWYER

OBITUARY

Legacy of laughter

Johnny Wayne leaves a rich comedy tradition

At one time, there was no one else a 1958 *Maclean's* article described Johnny Wayne and Frank Shuster as "Canada's only television comedians." And over the decades, Wayne and Shuster comedy specials remained as much a part of the Canadian television landscape as NHL hockey and *Front Page Challenge*. Last week, a professional partnership that spanned almost 50 years came to an end when Wayne, 72, died of brain cancer at his Toronto home. Wayne, the antic extrovert with the spring-loaded eyebrows, and Shuster, the more restrained one, teamed up as Toronto high-school students in the 1930s. They went on to become an international sensation, appearing on CBS's *Ed Sullivan Show* 67 times, more than any other act. Last week, Shuster, 73, described Wayne as a comic blessed with "terrifically high standards" and "an instinctive, unerring eye."

Wayne and Shuster's comedy was a distinctive blend of slapstick and groan-inducing jokes, seasoned with a highly literate sensibility—both comics had, in fact, begun working on their master's degrees in English at the University of Toronto before breaking into show business. In Canada, they prepared the way for such currently successful acts as the Royal Canadian Air Farce and the Kids in the Hall. Dave Foley, one of the five comics in the Kids in the Hall, whose hit show of the same name airs on the CBC and on HBO in the United States, said that he became a Wayne and Shuster fan when he was 6. Added Foley, 27: "They proved that Canadians really could do comedy shows that were as good as what you would see anywhere."



Wayne: antic extrovert

Wayne, born John Louis Weingarten, was the eldest of seven children in the family of clothing manufacturer Charles Weingarten. He and Shuster began performing skits together in high school. In 1941, they landed their first radio job: three times a week, on the Toronto station CFRB, they dispensed household hints on a program called *Wife Preservers*. Within a few months, they moved to CBC Radio, appearing on a big-band show called *Blended Rhythm*.

In 1942, they left the CBC to join the wartime Canadian Army. They became the writers and performers of *The Army Show*, touring military bases in Canada and Europe. After returning to Toronto, they went back on CBC Radio in 1946 with their own program, *The Wayne and Shuster Show*. They were household names when they moved to CBC television in 1954.

Their biggest break arrived in 1958 with their first appearance on *Ed Sullivan*. They performed the sketch "Rinse the Blood off My Toga," in which Wayne played a Roman detective investigating the murder of Julius Caesar. The comedy team's use of "martinus" as the singular of martini quickly became a catchphrase, as did the line "I told him—I said, 'Juhe, *don't go*,'" uttered several times by Sylvia Lennick, the actress playing Caesar's wife. Other successful *Ed Sullivan* appearances followed. In one sketch, which put Shakespearean blank verse into the mouths of baseball players, Wayne declared, "O what a rogue and bush-league slob am I, who has 10 days hitless gone."

Leonard Starmer, the executive producer of every Wayne and Shuster comedy special from 1970 until the last one, which aired in October, 1988, says that English teachers still request copies of the Caesar and baseball sketches for their classes. Said Wayne in a 1986 interview: "Our target audience is everybody."

Despite several enticing offers from the United States, Wayne and Shuster chose to stay in Toronto. Said Starmer: "They really preferred the lifestyle they could live in Canada and they wanted to raise their families here." Wayne and his homemaker wife, Bea, who died in 1980, had three sons. Starmer says that Wayne and Shuster had similar senses of humor—and completely different personalities. Wayne, he noted, was "always high energy and quick of thought," Shuster, more contemplative. "We argued about material," Shuster said last week. "But out of those arguments always came something a little better." Shuster added that, through it all, he and Wayne remained good friends.

Several months ago, despite Wayne's failing health, they completed a script for a CBC retrospective of their partnership, which will air in 1991. It will stand as a reminder of Johnny Wayne's singular ability to make people laugh.

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Havel: four years in prison and election to Czechoslovakia's top political office

BOOKS

Jailbird president

Václav Havel chronicles his eventful life

DISTURBING THE PEACE
By Václav Havel
Translated by Paul Wilson
(Random House, 228 pages, $26)

Václav Havel's life has had all the dramatic twists of a classic fairy tale. In his 1986 book, *Disturbing the Peace*, newly translated into English, the playwright and then political activist recounts how he was born into wealth and privilege, and then lost everything after Czechoslovakia became Communist in 1948. He has spent most of his adult life as a banned writer in his own country, fighting the repressive politics of the government—a stance that earned him a four-year jail term, from 1979 to 1983. In 1985, he began giving the interviews that form the basis of *Disturbing the Peace* to Czechoslovakian-born journalist Karel Hvizdala. Then living in West Germany, Hvizdala sent his questions to Havel, who taped his responses and had the cassettes smuggled back to the interviewer. Just three years later, a popular movement toppled the Communists, and last December the country's parliament elected Havel, the chain-smoking former troublemaker, as president of a new, democratic Czechoslovakia. This month, parliament re-elected him for a two-year term.

The fact that Havel at the time of writing had no idea of the momentous changes that were about to happen adds considerably to the impression of moral strength and courage created by *Disturbing the Peace*. In the mid-1980s, the Communist regimes of Eastern Europe looked as permanent as granite. From Havel's viewpoint, he and his fellow activists faced decades of continuing struggle. Yet his words are remarkably free of weariness, and—even more impressively—of bitterness. He talks about his life and ideas with the measured, almost cheerful calm of a man at ease in the world—even though recording his answers for Hvizdala was itself a dangerous and illicit activity.

Philosophically inclined, Havel gives far more space in *Disturbing the Peace* to discussing ideas and social issues than to narrating events. Still, the book has a lively, personal note missing from his prison correspondence to his wife, *Letters to Olga* (published in English in 1988). Some of the most absorbing passages in the new book concern the major role that Havel played in the creation of Charter 77, a 1977 petition signed by hundreds of Czechoslovakian writers, intellectuals and dissidents in protest against human rights abuses. Havel underplays the danger involved in collecting signatures, referring only to "attacks by the police, crawling through the woods and dramatic moments when important documents were eaten."

He seems far more interested in the philosophy of protest, eloquently rebuffing the arguments of Czechoslovakian novelist Milan Kundera, who has lived in Paris since 1975. In at least one of his books, Kundera argues that petitions such as Charter 77 merely glorify the people who sign them, while doing little practical good for protesters imprisoned by the regime. Havel claims that such petitions have generated widespread attention in the West—which resulted in successful pressure on the Czechoslovakian government to soften its treatment of dissidents. He also attacks Kundera's cynical view of history as a vast, impersonal juggernaut unaffected by individuals. People must embrace hope, Havel argues, adding that hope is not optimism but rather "an ability to work for something because it is good, not just because it stands a chance to succeed."

Despite his moral vision, Havel also stresses the importance of a sense of humor. "Without the laughter, we would simply be unable to do the serious things," he says. "If one were required to increase the dramatic seriousness of his face in relation to the seriousness of the problems he had to confront, he would quickly petrify and become his own statue." Havel is also startlingly candid about his personal shortcomings, implying that he has been unfaithful to his wife. "Olga and I have not professed love for each other for at least 200 years," he says, adding that she is his indispensable helpmate and critic and that he "can't imagine living with anyone else."

Havel expresses some misgivings about large-scale capitalism. Mankind everywhere is in crisis, he writes, mainly because the vast industrial machine that both capitalism and communism have created is a kind of monster driven by its own inhuman ends. "IBM certainly works better than the Skoda [Czechoslovakian car] plant," he says, "but that doesn't alter the fact that both companies have long since lost their human dimension." If he holds to those views, the author of *Disturbing the Peace* could prove as troublesome to Western capitalists wanting a foothold in his country as he once did to his old Communist oppressors.

JOHN BEMROSE

Maclean's

BEST-SELLER LIST

FICTION

1 **The Burden of Proof,** *Turow (1)*
2 **Coyote Waits,** *Hillerman (6)*
3 **Friend of My Youth,** *Munro (2)*
4 **An Inconvenient Woman,** *Dunne (7)*
5 **September,** *Pilcher (3)*
6 **Skinny Legs and All,** *Robbins (9)*
7 **Message from Nam,** *Steel (4)*
8 **Titmuss Regained,** *Mortimer (5)*
9 **Wildlife,** *Ford (10)*
10 **The Innocent,** *McEwan (8)*

NONFICTION

1 **Megatrends 2000,** *Naisbitt and Aburdene (2)*
2 **Father Son & Co.,** *Watson (3)*
3 **Homecoming,** *Bradshaw (8)*
4 **Disturbing the Peace,** *Havel (6)*
5 **The Trouble with Canada,** *Gairdner (5)*
6 **Men at Work,** *Will (1)*
7 **The Emperor's New Mind,** *Penrose (7)*
8 **The Sea at Our Gates,** *German (10)*
9 **Wonderful Life,** *Gould*
10 **Towards a Just Society,** *edited by Axworthy and Trudeau (4)*

() Position last week

Compiled by Brian Bethune

COLUMN



The toffs' real opinion of Germans

BY ALLAN FOTHERINGHAM



Any foreigner who spends any time in England and peruses the serious newspapers comes to a conclusion early. It is that the Brits' favorite hobby is fighting the war over again. The heavy tomes are full of memoirs by old generals who generally spend their time and typewriters bashing rival generals who didn't quite get it right but got more medals. The books are then reviewed by yet more old generals who say that this isn't the way it happened at all. Even obituaries—and all those types are dying off now—take the form of critical reviews, rather as if assessing a new West End play, those paying tribute to the dead not missing the last chance at having a go at the supposed military faults of the deceased.

The Brits are currently in yet another *déjà vu* turmoil, lambasting one another in print and on the airwaves in yet another rerun of the war. To be more correct, another rerun of their favorite enemies, the Germans. The ever-uptight Maggie Thatcher is to blame this time. As German reunification marched to the inevitable, she called together in March six experts on the Teutonic mind—historians and academics, British and American—to analyse these fearsome chaps across the Channel.

The confidential memorandum summarizing their views has now been leaked to the press—as all juicy items always are—and so we know what has been wrong with the Huns all along. Maggie's experts concluded that the German attributes "in alphabetical order" are "angst, aggressiveness, assertiveness, bullying, egotism, inferiority complex, sentimentality."

There you have it. Now we know the secret. In eight distinct words, we have the reason why the Prussian hordes tried twice to conquer all about them. We're not sure how this is going to help Maggie cope with the discipline of German work habits *vis-à-vis* her constituents, but it's always nice to have a clinical, certifiable profile of those you don't like.

What would be really interesting, to students of stereotypes, would be to have the leaked memo that contained Helmut Kohl's secret seminar (held on April 14, I'm reliably told) on the British personality. It's a hot seller in the Munich beer cellars, we hear. No one has done it before, but at last here is the clear definition of John Bull, an analysis that has perplexed historians for centuries.

It seems that the main characteristics, in alphabetical order, are "asperity, bellicosity (in football crowds), bloody-mindedness, docility, queue-infested, stiff upper lip, stubbornness and willy-nilly." Armed with this psychological X-ray, there is little doubt that Kohl and his economic storm troopers will wipe the floor with the Thatcherites on the way to a European common currency and the banning of what in England is laughingly called the sausage.

Why the Brits once painted the world map pink, if you must know, is that they confused foreigners with their mixture of bellicosity and the much-underrated willy-nilly. The bellicosity, now so familiar through their lager louts burning down European soccer stadiums, in earlier times was devoted to turning the world into their colonies: bashing the Boers in South Africa, subduing the fuzzy-wuzzies everywhere, turning China into an opium den, doing in Montcalm on the Plains of Abraham (Hi there, Jacques Parizeau), Nelson doing his thing at Trafalgar and Wellington at Waterloo.

The Brits have been a very muscular race—long before the Germans copied the idea—but are never thought of as such because of their toe-stubbing, bank-clerkish willy-nilly ways. The stiff upper lip conceals all this, best revealed by the conduct of Alec Guinness in *The Bridge on the River Kwai*.

Luigi Barzini, the statesman of Italian journalism, early in the 1980s wrote a masterly book called *The Europeans*. In the section titled "The Imperturbably British," he decided that after a near-lifetime of studying them and living with them and talking with them, "in the end I concluded that there was no sure way to ascertain if an Englishman was intelligent or stupid."

This is very true. Compared with the true Brit, the Japanese and the Chinese are raving egomaniacs, whirling dervishes of emotion. Thus, the perversity of the English soul—the latent bellicosity and bloody-mindedness married with the strange queue-infestation (they even queue in cars on highway diversions) and the docility and the stubbornness.

Stubbornness and docility would not seem to be like mates, but they are within the tortured English psyche. Only the combination of docility cross-pollinated with stubbornness would allow them to put up with the abominable food served to the masses, the unbearable weather, the filthy public services and a class system that is the basis of the country's woes, while its European colleagues sprint ahead.

The asperity—getting back to the alphabet—comes from the stiff-upper-lip toffs in their bloody-mindedness, when anyone suggests that their social bellicosity, which imposes the docility and queue-infestation on the lower reaches of society, may have something to do with it all.

One can just see the German shrinks, hidden away in a mountain fastness, fuelled by thermal baths and lashings of mineral water, squirming in glee at finding at last the key words that unlock the mystery of the English bulldog.

Maggie Thatcher, with her sensual think-tank brainwave, has unwittingly let the cat out of the bag. No longer will it be necessary to determine whether an Englishman is intelligent or stupid. It doesn't really matter, since we now see through him—alphabet-wise.

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A
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